

LOCATION BEHAVIOR
OF BUSINESS SERVICES IN
THE BALTIMORE METROPOLITAN AREA

Drs. M. Hessels

May, 1989

WORKING PAPERS IN INTERNATIONAL URBAN STUDIES

The International Fellows in Urban Studies program sponsored by the Institute for Policy Studies of The Johns Hopkins University has for over twenty years brought urban scholars and practitioners from all over the world to The Johns Hopkins University campus in Baltimore, Maryland to conduct comparative urban research. In some cases, the Fellows have taken graduate level courses here; in other cases, they have taught courses for University students.

More than two hundred specialists in urban studies and related fields have participated in the program. The majority have been from Europe, including a significant number from Eastern Europe.

The impact of the program has been significant and its alumni have continued in distinguished careers. From among the former participants have come high ranking officials in the reform governments of Poland and Romania, as well as the mayor of Barcelona. In addition, other projects have emerged from the Urban Fellows program, including a Technical Assistance Project supporting the emerging local governments in Poland and a book on *The Future of the Industrial City: The Challenge of Economic Change in America and Europe*.

But the core of the program has been the research the Fellows have done while in residence in the U.S. These "Working Papers in International Urban Studies" represent the fruits of those efforts. They are "working papers" in two regards: (1) they reflect work completed under the time constraints of a limited Fellowship; and (2) for most of the Fellows, they were written in English as a second language.

Although the reader may find flaws in the English here, I am convinced that the content of these papers constitutes an important contribution to urban studies in the United States and internationally. I hope that you will find them of value.

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INTRODUCTION

1.1 Introduction

This second report deals with location preferences and location decisions of business services firms in the Baltimore metropolitan area. The producer serving qualities of business services are profound and their employment growth in the recent decade is striking. Contrary to other producer serving industries, business services only fairly recently tended to decentralize and deconcentrate (see report 1, Hessels 1989). Finance, insurance, real estate, wholesaling and transport showed these developments already before 1980. The recent nature of the suburban directed spatial development makes the study of business services even more valuable.

The main part of this paper analyzes the results derived from in-depth interviews with business services in the Baltimore metropolitan area. Eight downtown and eight suburban based business services firms were interviewed in March 1989. In addition, representatives from several government institutions and real estate companies were willing to provide information about their activities in Baltimore and its Region.

The following is covered in this report:

The next paragraphs of this chapter deal with the research-problem, the hypotheses, the methodology, the sample size and sampling method and the validity of statements resulting from the analysis. In chapter 2 several important factors influencing location preferences and decisions of business services are brought forward. These aspects are analyzed in depth in chapters 3 (characteristics of accommodation and environment), 4 (functional relationships of business services), and 5 (government policies and real estate market). Chapter 6 covers preferences of business services firms for several selected areas. Chapter 7 analyzes relocation activities; the interviews show that a striking amount of business services either just moved or plan to move in the near future. Chapter 8 summarizes the results and answers the hypotheses posed in paragraph 1.3.

1.2 Research problem

The central research problem is divided into several sub-problems. The first one, dealing with the spatial distribution and spatial developments of producer oriented services, was addressed in report one (Hessels, 1989). Sub-problem two receives extensive attention in this paper and deals with "the causes of the spatial distribution and developments of business services firms in the Baltimore metropolitan area". Business services are the central issue resulting from their profound producer serving qualities and their increasing importance. In terms of employment, the business services industry was the fastest growing economic activity in the Baltimore metropolitan area between 1975 and 1985.

To answer this sub-problem attention will be given to decision making "actors" in the urban and metropolitan area realms. These actors are either the service firms themselves, or government institutions and real estate firms providing for

locations and accommodations.

1.3 Hypotheses

As stressed in report one (Hessels, 1989: paragraph 2.2), the purpose of this analysis is exploration rather than strict testing of hypotheses. Still, some expectations as to the results can be brought forward:

- (1) Location preferences of business services firms are related to their aspirations concerning characteristics of accommodation and environment. There are differences between downtown based firms and non-downtown based firms.
- (2) Location preferences of business services firms are related to their functional relationships with clients, employees and suppliers of goods and services. There are differences between downtown based firms and non-downtown based firms.
- (3) Government policies and activities of real estate firms are important for location decisions made by business services firms. There are differences between downtown based firms and non-downtown based firms.

In the summary and conclusion of each chapter, statements will be made about the validity of the hypotheses. The final chapter will probe into this more extensively.

1.4 Methodology and sample size

The interviews consisted of three sections (see Appendix B). The first section covered the respondents' opinions about accommodations and environments (areas) in the Baltimore metropolitan area. Second, functional characteristics of the firms received attention; an important issue here was the location and ways of contact with clients. Finally, the tendency to relocate the firm was reviewed. The first section mainly contained lists of aspects to be filled in by the respondent. The tables derived from these lists are presented in chapters 3 and 6. The respondents' answers to questions in the last two sections were taped and later typed out.

The names of the respondents and there firms will be kept confidential. In appendix A only lists the kind of firms that were interviewed.

Interviewed were the five most prominent business categories in employment terms. Table 1.1 (next page) shows the employment (empl.) for the largest industries in this category, the number of establishments (est.) and their codes in the Standard Industrial Classification (SIC).

Included in this table are employment agencies. However, the high number of employees in this category results from the inclusion of the people these agencies mediate for. Therefore, employment agencies are excluded from the interviews. Interviewed are representatives from industries 1, 2, 3, 4 and 5 in the table.

Two subsequent selection criteria were employed. One fairly small (<50 employees)

Table 1.1: Largest business services industries
in the Baltimore SMSA, 1985

	SIC	Empl.	Est.
Legal services	81	7647	1145
Accounting firms	893	3849	488
Computer services firms	737	4407	245
Eng. and arch. services	891	6061	492
Advertising agencies	731	1471	156
Employment agencies	736	11261	178

Source: US Department of Commerce/
Bureau of the Census, 1985

employees) and one fairly large firm (>50 employees) was interviewed out of each industry. Second, a selection with respect to location types was applied: out of each industry a downtown based and a suburban based firm was chosen. Ideally, the three criteria would have resulted in 20 firms to be interviewed. Unfortunately, only executive directors of 16 business services firms granted interviews. It proved especially difficult to include the two size classes in the sample for each industry. Appendix A lists the interviewed firms, their location and their number of employees.

1.5 Validity of statements

Executive directors of sixteen business services firms were interviewed. Eight of these firms were located in downtown and eight were located on suburban locations. Of course, this sample is very small. Reliable and generalizing statements, directed towards the whole population of business services firms in the Baltimore metropolitan area, are hardly possible. Conclusions about percentages and the margins of "validity" are much more certain in case the sample is large. In a small sample, exceptional cases might be too prominent to allow for definite generalizing statements.

However, a certain credibility and plausibility can be assumed in instances where more than 50% of a small and randomly selected interview sample reveals the same characteristics. There is no reason to neglect such a clear analysis result. Further, even exceptional and isolated cases may be brought forward as "truths", applying to other cases in the sample as well as cases in the population, with great caution, however. Just because a certain opinion is brought up by only one respondent, does not mean that other respondents do not also have that opinion.

All this is to justify the results presented in the next sections. In no way will findings be generalized towards the whole population of business services in the Baltimore metropolitan area. Nevertheless, the conclusions can prove to be valuable to pin-point at distinct probabilities.

INFLUENCES ON LOCATION PREFERENCES
AND LOCATION DECISIONS OF BUSINESS SERVICES

2.1 Introduction

Location preferences and location decisions of business services firms are influenced by several factors. These factors apply either to attributes of the firms themselves, or to circumstances of the spatial context they operate in. In this chapter the factors are brought up that are important to explain location preferences and location decisions of the interviewed business services firms in the Baltimore metropolitan area. The following factors are distinguished:

- needs for and opinions about certain characteristics of the accommodation (building) and the environment (area) in which a business services firm is located (paragraph 2.2);
- the relevance of functional relationships with the firm's clients, employees and suppliers of services and goods (paragraph 2.3);
- conditions provided by government policies (paragraph 2.4); and
- conditions provided by the real estate market (paragraph 2.5)

In paragraph 2.6 an explanatory model will be presented.

2.2 Aspired characteristics of accommodation and environment

2.2.1 Accommodation factors

Included in this category are attributes of buildings that might be important for location preferences of business services firms (hypothesis 1). The accommodation characteristics apply to the seize (room for expansion), the ownership or rent structure, or to the aesthetic appearance. Hypothesis 3 predicts that the mere prestige of an accommodation is an important location factor for business services firms. Also, it can be argued that ownership of an accommodation is not a big issue for a service firm; the investments needed to assure the operation of the firm are minimal: main costs are labor costs. Room for expansion is expected to be important; the business services sector is expanding fast.

2.2.2 Environment factors

Included in this category are attributes of environments that might be important for business services firms (hypothesis 1). Various aspects are taken into consideration. Accessibility for, and the location of, employees, clients, and suppliers of services could be very important. Tangible goods are hardly produced and these groupings provide almost all of the in- and output of a services firm. Parking seems important to consider; many business services are located in the city, where parking space is either very scarce or only available at a premium. Proximity to means of fast transportation (highways and public transport) serving both the access to clients and employees will be crucial to an optimal

performance of the firm. An additional asset could be the proximity to the central city and to the amenities offered there (shops, cafes, restaurants). Finally, as with respect to accommodation, the mere prestige of an area and the personal preferences of business services with respect to this could be important (hypothesis 3).

A list was presented to the respondents containing characteristics of accommodations and environments. The respondents were asked to mark down the importance or unimportance of these aspects for their firm to operate optimally. The answer possibilities ranged from (1) very important, through (2) important, (3) neither important nor unimportant, (4) unimportant to (5) very unimportant. The resulting tables are presented in chapter 3.

2.3 Functional relationships with clients, employees and suppliers

Apart from the characteristics of the accommodation and environment, relationships with the companies and the people that make the business run might be essential for location preferences of business services firms (hypothesis 2).

Contacts with clients is possibly significant. It will make a difference if these contacts are personal or via telecommunication devices. When the form of contact is mainly direct personal, the location where these take place might be important. There is a difference between servicing the clients at their own location, or servicing them at the site of the service firm. In the first situation, proximity to and accessibility of the client's location is vital; in the second this might not be the case. The scope of the firm's market could be an important determinant; it might make a difference if a services firm aims at particular clients instead of others.

The place of residence of a firm's employees could be important; people are after all an important asset for a services firm. Also the split between professional and clerical staff might possibly have an impact on the outcome of location decisions.

The third category with which contacts are maintained, are companies that supply services to the business services firms. Their proximity might be desirable.

Some of the "relation factors" were included in the list the respondents filled out themselves (see 2.2.1 and 2.2.2). Other factors were verbally treated and the taped answers were typed out. No tables could be compiled from these data.

2.4 Influences of government policies

Policies of various governments might influence the possibilities for firms to implement their location decisions (hypothesis 3). Next to this, government policies possibly bias the opinions firms have about certain locations. The content of government policies can be many-fold, ranging from tax reliefs to infrastructure measures and economic development programs.

The following government institutions are relevant for the Baltimore metropolitan area:

- Baltimore City government institutions;
- County government institutions;
- the Regional Planning Council, designed to deal with matters on the metropolitan area level. This is a State of Maryland government institution; and
- the federal government.

Appendix A lists the interviewed government representatives.

2.5 Influences of conditions on the real estate market

Conditions on the real estate market could have important impacts on the possibilities for business services firms to implement location decisions (hypothesis 3). In general, accommodations are not financed and built by the eventual users, but by real estate and real estate developing companies. Policies and strategies of the actors on the real estate market with respect to the locations of their projects are worth attention.

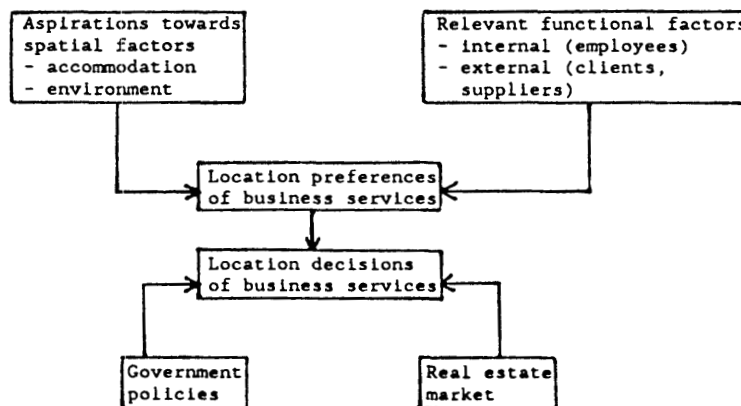
Apart from the activities of the real estate firms themselves, the use business services firms make of them will be paid attention to. Interesting is for example the necessity of real estate agencies in the search for new locations. The interviews provide information on these issues.

Appendix A lists the interviewed real estate representatives.

2.6 Summary: an explanatory model

This chapter dealt with the factors that could possibly influence location preferences and location decisions of business services. A explanatory model emerges which is useful to tackle the research problem posed in paragraph 1.2. The model contains all the influencing factors presented in this chapter:

Figure 2.1: Explanatory model



Aspired spatial factors are directed towards accommodations and environments. Relevant functional factors are either internal or external. Both the aspired spatial factors and the functional factors influence location preferences of business services. These preferences in turn determine the actual location decisions business services make. However, it is possible that location decisions can not be implemented because of government regulations and limitations imposed by the real estate market. On the other hand, government incentives and real estate possibilities might enhance location decisions. So, apart from the location preferences of business services firms themselves, also the policies of governments and real estate firms determine location decisions.

ASPIRED CHARACTERISTICS OF ACCOMMODATION AND ENVIRONMENT

3.1 Introduction

This chapter details the relevance of various characteristics of accommodation and environment. During the interviews, the respondents were asked which characteristics were important for an optimal performance of the firm. The answer possibilities were "very important", "important", "neither important nor unimportant", "unimportant" and "very unimportant".

To assess the relevant characteristics, attention will be given to the number of firms ranking them as "very important". An aspect ranked as very important by 50 or more percent of the firms will be considered as a relevant location factor.

3.2 All interviewed firms

3.2.1 Accommodation characteristics; all firms

Various accommodation characteristics were presented to the interviewees:

a) potential for expansion in the accommodation; b) representational or impressive appearance of accommodation; c) own the accommodation; d) rent the accommodation; and e) parking space adjacent to accommodation

Table 3.1: Ranking of accommodation characteristics; all firms (%)

N = 16	VERY IMP	IMP	NEITHER	UNIMP	VERY UNIMP	Total
Potential for expansion	69	25	6	0	0	100
Appearance of accommodation	63	38	0	0	0	100
Own accommodation	6	0	19	44	31	100
Rent accommodation	19	19	38	19	6	100
Parking adjacent to building	38	63	0	0	0	100

Potential to expand in the accommodation and the representational or impressive appearance are clearly considered relevant by business services firms. Most of the interviewed firms expected to grow in the near future; to be forced to seek new accommodations because of space needs is not preferred. Parking space adjacent to the accommodation, for example a parking garage in the building, is a much less desirable attribute.

The structure of ownership is irrelevant. Somewhat more firms preferred to rent the building they are located in, instead of owning it, but for most of the interviewed business services this is not an important issue at all.

3.2.2 Environment characteristics; all firms

The environment characteristics presented to the interviewees were: a) accessibility by car; b) accessibility by public transport; c) accessibility for employees; d) accessibility for clients; e) accessibility for suppliers of goods and services; f) parking space in the neighborhood; g) employees living close by; h) clients located close by; i) suppliers located close by; j) shops, restaurants, cafes, etc. close by; k) public transport close by; l) highways close by; m) center of the city close by; and n) level of property tax.

Table 3.2: Ranking of environment characteristics; all firms (%)

N = 16	VERY IMP	IMP	NEITHER	UNIMP	VERY UNIMP	Total
Accessibility by car	50	44	6	0	0	100
Accessibility by publ.transport	25	25	38	13	0	100
Accessibility for employees	44	44	13	0	0	100
Accessibility for clients	56	19	19	0	6	100
Accessibility for suppliers	13	19	31	31	6	100
Parking in the neighborhood	31	25	31	13	0	100
Employees living close by	0	13	50	25	13	100
Clients located close by	6	19	38	25	13	100
Suppliers located close by	0	19	44	25	13	100
Shops, restaurants, etc. close by	6	44	44	6	0	100
Public transport close by	19	31	25	25	0	100
Highways close by	19	56	19	6	0	100
Center of the city close by	44	38	13	6	0	100
Level of property tax	0	19	38	31	13	100

Especially the ability to reach the firm by private transportation and easy access for clients are important location factors for business services firms. Also, but somewhat less, important were the accessibility for employees and the proximity of the city center. Parking space in the neighborhood is moderately relevant, but not evaluated indispensable by most interviewed business services firms.

Surprisingly, highways in the immediate vicinity of the firm are not considered very important by most interviewed business services, although more than half of the sixteen respondents ranked this factor "important". Proximity of employees, clients, suppliers and shops and restaurants were additional irrelevant environment characteristics. The level of property tax does not play a role; the irrelevance of the structure of ownership has been mentioned already in sub-paragraph 3.2.1.

3.3 Interviewed downtown firms

The eight interviewed firms located in downtown Baltimore are listed in appendix A.

3.3.1 Accommodation characteristics; downtown firms

The rankings given by downtown firms to the various accommodation characteristics are presented in table 3.3 (next page).

Potential for expansion and especially the impressive appearance of the

Table 3.3: Ranking of accommodation characteristics; downtown firms (%)

N=8	VERY IMP	IMP	NEITHER	UNIMP	VERY UNIMP	Total
Potential for expansion	63	38	0	0	0	100
Appearance of accommodation	75	25	0	0	0	100
Own accommodation	13	0	13	38	38	100
Rent accommodation	13	25	38	13	13	100
Parking adjacent to building	38	63	0	0	0	100

accommodation are relevant factors for business services located in downtown. Although parking in the center of Baltimore can be difficult, parking space adjacent to the building (e.g. a parking garage) is not highly relevant, but not totally unimportant. Downtown firms do not express a particular preference for a certain structure of ownership; in this respect these firms do not deviate from the whole group of interviewed business services firms.

3.3.2 Environment characteristics; downtown firms

The rankings given by downtown firms to the various environment characteristics are presented in table 3.4.

Table 3.4: Ranking of environment characteristics; downtown firms (%)

N=8	VERY IMP	IMP	NEITHER	UNIMP	VERY UNIMP	Total
Accessibility by car	38	50	13	0	0	100
Accessibility by publ.transport	38	13	38	13	0	100
Accessibility for employees	50	38	13	0	0	100
Accessibility for clients	63	13	25	0	0	100
Accessibility for suppliers	13	13	38	25	13	100
Parking in the neighborhood	25	38	38	0	0	100
Employees living close by	0	0	25	50	25	100
Clients located close by	0	13	38	38	13	100
Suppliers located close by	0	13	25	38	25	100
Shops, restaurants, etc. close by	13	50	25	13	0	100
Public transport close by	25	38	13	25	0	100
Highways close by	13	38	38	13	0	100
Center of the city close by	63	38	0	0	0	100
Level of property tax	0	25	38	13	25	100

In particular the accessibility for employees and clients and the proximity of the city center are relevant environment factors for the interviewed business services located in downtown Baltimore. Accessibility by car and public transport are only modestly relevant. Public transport proximity received 25% "very important" rankings and is of very little relevance.

Clearly irrelevant factors are the accessibility for and the proximity of suppliers, the proximity of employees, clients, shops and restaurants and highways and finally the level of property tax. The apparent irrelevance of the nearness of shops and restaurants is rather surprising; this characteristic is surely an intrinsic part of downtown.

3.4 Interviewed non-downtown firms

Eight firms located outside of downtown were interviewed. Seven of these are located on suburban locations, one is located in an area within Baltimore's city limits (appendix A).

3.4.1 Accommodation characteristics; non-downtown firms

The rankings given by non-downtown firms to the various accommodation characteristics are presented in table 3.5.

Table 3.5: Ranking of accommodation characteristics; non-downtown firms (%)

N = 8	VERY IMP	IMP	NEITHER	UNIMP	VERY UNIMP	Total
Potential for expansion	75	13	13	0	0	100
Appearance of accommodation	50	50	0	0	0	100
Own accommodation	0	0	25	50	25	100
Rent accommodation	25	13	38	25	0	100
Parking adjacent to building	38	63	0	0	0	100

Particularly potential for expansion in the accommodation is a relevant factor for most of the interviewed non-downtown business services firms. Also for the firms established in downtown Baltimore this was an appropriate characteristic. An impressive appearance is relevant as well, however less so compared to the business services that are located in downtown Baltimore. The structure of ownership is not important. The ability to park adjacent to the building is relatively irrelevant.

3.4.2 Environment characteristics; non-downtown firms

The rankings given by non-downtown firms to the various environment characteristics are presented in table 3.6.

Table 3.6: Ranking of environment characteristics by non-downtown firms (%)

N = 8	VERY IMP	IMP	NEITHER	UNIMP	VERY UNIMP	Total
Accessibility by car	63	38	0	0	0	100
Accessibility by publ. transport	13	38	38	13	0	100
Accessibility for employees	38	50	13	0	0	100
Accessibility for clients	50	25	13	0	13	100
Accessibility for suppliers	13	25	25	38	0	100
Parking in the neighborhood	38	13	25	25	0	100
Employees living close by	0	25	75	0	0	100
Clients located close by	13	25	38	13	13	100
Suppliers located close by	0	25	63	13	0	100
Shops, restaurants, etc. close by	0	38	63	0	0	100
Public transport close by	13	25	38	25	0	100
Highways close by	25	75	0	0	0	100
Center of the city close by	25	38	25	13	0	100
Level of property tax	0	13	38	50	0	100

Only two environment qualities stand out as clearly relevant: the accessibility by car and the accessibility for clients. For the interviewed downtown firms the car access was much less relevant, while also for them the ability to contact clients proved to be a desired quality. The accessibility for employees and parking possibilities in the neighborhood of the firm were only of minor relevance. Downtown business services stress the accessibility for their employees in clearer terms. Proximity to highways and the nearness of the center of the city were of similar minor importance. However, highways in close vicinity to the firm are more "important" for non-downtown than downtown firms. The reverse holds for the proximity of the center.

Distinctly irrelevant environment characteristics are the accessibility by and proximity of public transport, the accessibility for and proximity of suppliers, and the proximity of employees, clients, shops and restaurants. The level of property tax can be eliminated as a relevant location characteristic.

3.5 Summary and conclusion

Aspired characteristics of accommodation and environment are one of the explanatory factors of the model described in chapter two.

Relevant accommodation characteristics for all firms are the potential for expansion and the impressive appearance of the building. These aspirations apply to both downtown and non-downtown business services. However, the potential for expansion is especially relevant for non-downtown firms, while aspirations towards an impressive appearance prove to be distinctly relevant for downtown firms. Aspirations are neither directed towards a particular type of ownership of the accommodation, nor towards parking space adjacent to the accommodation. This applies to the interviewed downtown, as well as the interviewed non-downtown firms.

Relevant environment characteristics for all firms are the accessibility by car and the accessibility for clients. Moderately relevant are the accessibility for employees and proximity of the city center. For the downtown firms, good accessibility for employees and clients, as well as the proximity of the city center are highly relevant. For the non-downtown firms only the accessibility by car and the accessibility for clients seem to be highly important. Irrelevant environment characteristics are numerous. Parking in the neighborhood seems not to be crucial. Also the proximity of employees, clients, suppliers, shops and restaurants and public transport is irrelevant. Surprisingly, the proximity of highways is not a highly aspired environment characteristic, although this is more important for the non-downtown firms than downtown firms. Probably connected with the indifference towards the ownership structure is the indifference towards the level of property tax.

In conclusion, among the interviewed downtown based business services the highest aspiration is an impressive accommodation in a central, client- and employee-accessible environment. Among the interviewed non-downtown based business services the highest ambition is an accommodation with potential for expansion in an automobile-oriented and client-accessible environment. Of course these are archetypes around which most interviewed firms deviate. Nevertheless, the archetypes come closest to what the firms have in common. In the final chapter

the influences of the various characteristics on location preferences will be analyzed.

FUNCTIONAL RELATIONSHIPS OF BUSINESS SERVICES AND THEIR LOCATION

4.1 Introduction

The next sections detail the functional relations of the interviewed business services and the link with their locations.

Functional aspects relate to:

- relationships with clients (location of clients, way in which contacts are maintained, location of contacts, the scope of a firm's market), paragraph 4.2;
- relationships with employees (place of residence of employees, split between professional and clerical staff, amenities attracting employees), paragraph 4.3; and
- relationships with suppliers (location of suppliers of services and goods), paragraph 4.4.

The responses of the interviewees were taped and later transcribed. Just as in chapter 3, downtown based and non-downtown based firms will be treated separately.

4.2 Relationships with clients

4.2.1 Downtown firms

The location of the clients is generally not an important consideration for the interviewed business services firms to locate in the downtown area. Often the clients are not located close to the downtown business services. Respondent 3, a small architectural service firm, considers the location of the clients virtually insignificant:

"No, I don't think it is important for our clients where we are. That is our perception, actually we never asked them. The clients don't really care where the work is done as long as it is done well. This is not like a dentist or a doctor where you have to go to their office. We do have clients coming down here, but very often we go to them. Where our work space is is not that critical. We could still have gotten the same work and the same clients whether our office is here or in Columbia".

As Respondent 6, a medium-sized advertising company, states:

"To serve our clients we don't have to be in close proximity. We have a major client in Philadelphia and a major client in Atlantic City. In our business you do not have to be in front of a client every day in order to serve him well".

Respondent 15, a large accounting firm, considered the good accessibility of Baltimore's center a reason why proximity to clients is not necessary.

"Quite frankly, there is no one place where we have most of our clients. We can get to our clients relatively easily. Baltimore City is, from that standpoint, the most logical place to be. It's relatively accessible to our clients and our clients are relatively accessible to us".

However, sometimes the client's location is relevant. For respondent 10, a large law firm, there are historical, client-oriented reasons to be in downtown:

"I think we always did tend to want to be close to where the clients were in order to be able to serve them better. We did work for Signet Bank and the First National Bank. To be just an elevator-ride away is a great help. With regard to other banks in the area, to be close enough to be able to send a runner over with packages and pick things up, makes it much more likely for them to call upon your services. More likely than if you would be in Seton Business Park; there you are hard to get to from the standpoint of being able to walk to your office".

Respondent 16, a computer services firm, evaluates its downtown location in terms of visibility to potential clients:

"We are an outbound sales force. Therefore the significance of our location is not that great as one might think. But the visibility is important, it is good if people walking downtown see our storefront. But because we are an outbound sales force, we know we have to travel to our clients".

The predominant way clients are contacted varies. A mix of direct personal contact and contact by telephone is generally the case. The location where the clients are contacted on a face-to-face basis is not considered important by downtown business services. The accounting firms, for example, do most of their work at the client's site. Actually, one of them, respondent 1, considers its downtown location somewhat less convenient with respect to client-contact than the previous Towson location:

"No, it's probably less convenient for many of our staff and partners to travel from here to the client than it was when we were in Towson. But for the most part when staff people are going to the client they may stay out for the whole day. They leave from home and go directly to the client's office and often don't come to the office at all. Sometimes staff people are not in the office for weeks at the time. So that is why the location is not as critical from direct client-contact point of view. The extra travel costs (compared to the location in Towson, MH) involved are not substantial".

Although the place of contact is not considered crucial, the accessibility of the firm's site for clients is regarded a very important characteristic by most interviewed business services firms (see paragraph 3.3.2).

Most interviewed downtown based business services consider the scope of their markets an important location factor. The reasons for this are either explained by the kind of clients the firm services to, or their geographic range. The characteristics of the major clients is an important location factor for respondent 10, a large law firm:

"You want to attract the highest quality client that you can. Therefore, you want to have your offices in a very high quality building and environment. That was a large factor in choosing this building. On your list I marked down 'impressive appearance' as very important".

Respondent 16, the medium-sized computer services firm, caters mostly to larger firms and wants to be located in downtown Baltimore because of this:

"We have a metropolitan area here where there are quite a few larger firms located. That is what we aim for. Therefore we are here in this metropolitan area, there is no use for us being in Aberdeen, Maryland. It is important to be

in a certain radius of your large client accounts".

The geographic range of the clients is important for respondents 6 and 15, the medium-sized advertising agency and the large accountant firm, respectively. Respondent 6:

"I think Baltimore as a location gives you access to virtually any market in the country. Air travel is not as convenient as it once was, but to serve our clients this is a good location".

Respondent 15:

"The scope of our market is this Delaware, Southern Pennsylvania, Maryland area. (...) Baltimore City is, from that standpoint, the most logical place to be. It's relatively accessible to our clients and our clients are relatively accessible to us".

4.2.2 Non-downtown firms

Generally, the location of the clients is a location factor for the interviewed non-downtown based business services. Clients of non-downtown business services are mostly located in the suburban parts of the Baltimore metropolitan area. Many of them hardly have any Baltimore City clients.

Respondent 8, a small law firm in Ellicott City, Howard County states:

"My clients are in Baltimore County, Howard County and Montgomery County. I don't go into Baltimore City, that's a different world. I try to stay in my own backyard, because I know what goes on there. This location is centrally located for my market".

Respondent 2, a medium-sized engineering firm in Hanover, Anne Arundel County, dislikes his current location because it is too far away from his clients. He plans to move within six months:

"This location is a poor location as far as clients goes. That is the reason I'd like to get out of here as soon as possible. The location of clients is important, my clients are located further away than we are right now".

Respondent 11, a medium-sized computer services firm in Columbia, Howard County:

"Location of the clients has absolutely been a factor when we chose this location. Our clients are in both the Baltimore and the Washington area, that is why we are here".

Not only for the small and medium-sized companies has the client's location been a factor. A large advertising agency in Towson, respondent 7, wants to be part of the economic growth in the suburban areas:

"Most of the development is down here and we want to be part of that. We chose an office that is part of the growth market and its convenience to the customers we do business with. Our clients are mostly located in the suburban Baltimore marketplace, outside the Beltway. We don't do so much business with clients in central Baltimore, our biggest clients are outside the Beltway".

Only two of the eight non-downtown firms explicitly state that the location of the clients is not an important factor. Respondent 13, a small advertising agency in Owings Mills, explains that his clients

".... are regionalized; some of them are in Washington, some of them are in Baltimore, one of them is in Germany. So location is not really a factor".

The clients hardly ever come to the office of respondent 4, a large computer service company, who reasons that this is why location of clients is not important:

"Clients don't physically come here very often. Sometimes when there is a problem we have seminar meetings, but there is really very little reason for our clients to visit us and most of them don't. We visit our clients, we have the sales people and the account managers".

Just as was the case with the downtown firms, the way contacts with the clients are maintained is a mix of telecommunication and direct personal contact. The latter often takes place at the client's premises, but also in the services' office.

Respondent 7, the large advertising company in Towson, sells advertising space for the Yellow Pages and most of the work is done by sales representatives. There way of contacting the clients requires good accessibility of highways and availability of parking space, as the interviewee colorfully explains:

"Our sales people set up interviews and use this as their base of operations. So when they are not out in the field, they're back in here doing paperwork and setting up appointments. They are constantly coming in and out of here, and they need access to the highways in order to get out. Some of the worst decisions that we have made in other marketplaces is to put our office downtown. We put an office in downtown Pittsburgh once and we hated ourselves. The sales people were hesitant to get out of the office into that traffic and come back often to meet with their managers. Parking was a big problem there. It makes sense for us to be out in the suburbs where they don't pay to park and where they have easy access to the office. They can swing around, stop in, do a little work, slide out again, see a customers and slide back in again. It's all field work. Our reps (the sales representatives, MH) can get out, scoop down the highway this way and that way, that's important for us".

Also for respondent 13, the small advertising agency, the location of contacts with clients requires adequate accessibility. Clients are both visited at their offices as well as on the agency's own site:

"They come here and we go to them. Accessibility was an important factor when we chose this location".

On the other hand, respondent 8, the small law firm in Ellicott City, hardly ever visits his clients. For him this is a matter of efficiency and is probably a consequence of the small size of his firm. He contacts his clients more frequently by means of telecommunication devices than face-to-face:

"We very little visit our clients. Most of it is done by fax-machines today, or telecopyers, whatever it is called. Also, the clients visit me here, we are close to the courthouse. It is more often that the clients come here than vice versa. It is something we learned from the medical profession: no more house calls. You can't see everybody that quickly".

The accessibility of clients was considered an important factor by half the interviewed non-downtown business services firms (paragraph 3.4.2)

The scope of the firm's market was, just as was the case with respect to the

downtown firms, interpreted either as the kind of clients the firm aims, or the geographic range of the clients. Unfortunately, only the remarks of two of the respondents are worth mentioning. The kind of clients has not affected the choice of the present location of respondent 8, the small law firm in Ellicott City, but it will certainly affect its relocation, which is due within the next two years:

"The scope of my market has not been a factor in the past, but it has affected my desire to move from this location. In other words, because we now want to cater more to our business clients than our private clients, and because our business clients are more in Columbia than here, it necessitates a move from this location to Columbia".

The location of respondent 12, the medium-sized engineering firm in Cross Keys has been affected by the geographic range of the clients:

"The Maryland, Northern Virginia and Delaware area is not particularly accessible from our Harrisburg headquarters. So the Baltimore location is important in our serving this part of the country".

4.3 Relationships with employees

4.3.1 Downtown firms

Two aspects relating to employees were brought up in the interviews. The first was the predominant place of residence of the employees and its impact on the choice of the location. Second, and brought up by some interviewees themselves, is the way in which amenities at the site attract employees to work for the firm.

The place of residence of the firm's employees is generally considered unimportant by the downtown firms. Most employees live in the suburbs and downtown is considered fairly well accessible for these people. In paragraph 3.3.2 the accessibility of the firm for employees was already presented as a relevant factor for the interviewed downtown based business services. Not many illustrative quotes can be shown, however. Most interviewees plainly deny the relevance of the employees' residence.

Respondent 10, the large downtown law firm, does not think the place of residence of the employees is important, just because of the good accessibility of downtown:

"Not many of our employees live in the downtown area. I would say that the employees pretty much ring the city as to where they are located. Most people probably live within a 20 to 25 minutes commute, either by car or public transportation, it's not too far".

Only for the large accounting firm, respondent 15, the place of residence of some of his employees is important. A large proportion of his clerical staff lives in the city and public transportation is important for them.

"Being in the city, giving them access to public transportation, was an important consideration".

The amenities offered by site and accommodation are of some importance for several interviewed downtown business services.

Comparing a suburban location with their present downtown location in the brand new Legg Mason Tower at the Inner Harbor, respondent 14, a large downtown

accountant firm, states:

"Our young professionals and the other people really like being treated in the way they're treated here in terms of the environment we have. Our people like it here. We have had enormous success recruiting professionals. We have had good success in the past, but I think we have been unusually successful since we came over here in attracting people to work for us. Look around, where would you rather be? Would you rather be in Glen Burnie or whatever? Towson has its attractions and Columbia certainly has some attractive locations. But it is different from here. This building has features that no other building in the city has. The entire complex here is next to the retail, next to Stouffer's Hotel, it's very close to the Inner Harbor. Furthermore, the views are spectacular, nobody has better views than we do".

The office of respondent 15, also a large accounting firm, is more of an asset to the employees than to the outside world:

"My philosophy is that I want my people to have an office they can be proud of, an office they can be comfortable in. Quite frankly, the office is for our people and not for the outside world. I expect my people to work very hard and I want to give them a work space that is a positive influence on that".

Respondent 3, the small downtown architectural service, doubts that he could keep his employees within the company if it would move to a location outside downtown: *"An architect has an image about places. I don't think I could keep staff in Glen Burnie, people would not move there. It's mainly a matter of image to the architects themselves, not to the outside".*

Accessibility of the firm for employees is considered a relevant factor for downtown firms (paragraph 3.3.2). This might explain the overall unimportance attached to their location.

4.3.2 Non-downtown firms

For most interviewed non-downtown business services the predominant place of residence of employees does (or did) make a difference in choosing a location. Apart from the main location of clients, which proved to be a relevant location factor, the residence of the employees certainly has its consequences.

For a medium-sized engineering firm in Hanover, Anne Arundel County (respondent 2), the place of residence of the employees was a factor at the time it was decided to locate here. This respondent now wants to move the firm to the northern part of the metropolitan area. Apart from the shifting location of his main clients, the availability of professional staff is an additional and crucial consideration:

"I think that it was one of the reasons, yes. I was not here when the decision was made. My employees are changing now, however. I'm changing the characteristics of our staff, I'm getting a real professional staff in here. Those kind of people don't live in this area. Those people are in the White Marsh, Owings Mills and Hunt Valley areas and the like".

Respondent 7, a large advertising company North of Towson, Baltimore County, will take the place of residence of his employees into account in future location decisions, especially that of his clerical and support staff:

"If we were going to choose a location other than this we would probably consider the clerical and support people. A lot of them have to get here by public transportation from Baltimore City. We are considering moving in 12 months. If we move, could these people that now come by public transportation get to us? We do little studies where we put little pins on a chart and we will make decisions based upon our clerical people. We don't want to loose good clerical people because they couldn't get to our new location by public transportation".

Respondent 12 is located in the Village of Cross Keys, a business park in the North of Baltimore, within the city limits. This medium-sized engineering firm prefers a city location because Baltimore City is the main client; being a city based firm gives it an advantage above firms outside the city limits. Southern city-locations are inconvenient, however, because most employees live in the northern parts of the metropolitan area.

"Most of our people live North of the city. By far their places of residence are in this area, as far away as Cockeysville and even Pennsylvania. The out of the city locations are just not good for us, the rest is too far away for most of our people".

A large computer services firm in Towson, Baltimore County, (respondent 4) was previously located very close to the current location, but within the city limits. At the time of the relocation, 12 years ago, one of the motivations for choosing the Towson location was the place of residence of the employees:

"(....) it was reasonably close to the previous location and therefore employees who worked for us already would not have a difficult time adjusting to working here. As opposed to shifting from one part of town to another, we stayed basically in the same area".

For respondent 9, a small law firm in Reistertown, Baltimore County, the impact of the residence of his one employee is simple:

"The one employee I do have lives nearby. She knows the clients and that sort of thing, that's better than someone from further away. It's because of the local nature of the business".

The amenity factor brought up by several downtown firms is brought up by two non-downtown interviewees. Respondent 4, the already mentioned large computer services firm in Towson:

"If people had a choice between going downtown to work versus working in a suburban area somewhere..... Just the hassle of driving downtown and getting downtown".

And respondent 2, the medium-sized engineering firm in Hanover:

"(....) And for my employees, very few of them live in the city just for that reason, the rest moved out. They don't want to fool with that. The school systems are lousy, I could go through a hundred different things on that. It is hard to get good employees in the city".

Accessibility for employees is considered less important by non-downtown firms than downtown firms (paragraphs 3.3.2 and 3.4.2). This might explain why the location of the employees is more important for the non-down town business services.

4.4 Relationships with suppliers

4.4.1 Downtown firms

Relationships with suppliers have no impact whatsoever on location decisions of the interviewed downtown based business services. In general it is considered the problem of the supplier of a certain service or good to be able to reach the firm. As respondent 10, a large downtown law-firm declared:

"It is nice to know that you have a lot of access to people who can give you the services you need, but almost any place you go in the Baltimore area is serviced".

Respondent 15, a large downtown accountant firm, does not consider suppliers a factor at all:

"We use suppliers and it is their problem how to access us. We are a very attractive client to suppliers, so we are not terribly worried where we are located in this respect. I would say, that is not even a factor at all".

Also accessibility for suppliers is not a relevant factor for the downtown firms (paragraph 3.3.2).

4.4.2 Non-downtown firms

Also for the interviewed non-downtown firms the location of suppliers is not an important location factor.

Respondent 12, the medium-sized engineering firm in the Village of Cross Keys, does not consider suppliers important, because the firm hardly has any:

"We don't have any suppliers, most of what we produce is thinking and drawing. We do get a lot of printing services. I would say that this location is well accessible for these printing services. It is as good as downtown would be".

Respondents 2 and 4 purchase most services and goods from their central offices. Respondent 2, the medium-sized engineering firm in Hanover:

"Suppliers have very little impact on location factors. We are supplied mostly by our central office".

Respondent 4, the large computer services company in Towson:

"A lot of what we buy is paper. We buy some of that here, but a lot is bought from our corporate office and shipped down to here. We don't even purchase it directly. As far as we are concerned as 'paper-buyers' we can buy from any paper company. So I cannot say there is any supplier-related relationship here to where we are".

Respondent 8, the small law firm in Ellicott City:

"My suppliers are everywhere. They can be in New York or anywhere. As long as they can ship what we need to us, I don't care where they are and they don't care where I am".

Accessibility for suppliers is not a relevant factor for the non-downtown firms (paragraph 3.4.2).

4.5 Summary and conclusion

Functional relationships of business services with clients, employees and suppliers were included in the explanatory model presented in paragraph 2.6. The previous chapter, chapter 3, dealt with another determinant of location preferences, namely the aspired characteristics of accommodation and environment.

Hypothesis 2 posed that functional relationships with clients are possible influences on location preferences. Differences were expected between downtown based and non-downtown based business services firms. Several aspects are included in this:

- the location of the clients (close by or further away);
- the location where the contact with mainly clients takes place (at the own site or at the clients' site);
- the type of contact with clients (direct personal, telecommunicative, mail); and
- the scope of the firm's markets

For the interviewed downtown business services the location of the clients is generally not an important location factor. The clients are mainly not located close by, but all over the Baltimore metropolitan area, in other parts of the United States, or abroad. Also the location where the contacts with clients take place is hardly relevant. The way of contact with the clients is a balanced mix of direct personal contact and telecommunication. More important than the clients' location is perhaps their accessibility to the firm, or reversed, the service firm's accessibility to the clients. The data presented in chapter 3 already referred to this. The scope of the firm's market is an important factor for many interviewed downtown based business services. The respondents either interpreted the scope of the market as the kind of clients, or as the geographic range of the clients.

Contrary to the interviewed downtown firms, the location of the clients generally does make a difference for the interviewed non-downtown firms. Their clients are predominantly located in the suburban parts of the Baltimore metropolitan area, a fact often mentioned as relevant for preferring a certain area above others. The location where the contacts with clients takes place varies; its relevance as a location factor could not be assessed. The type of contact with clients is, just as was the case for the downtown firms, a mix of direct personal and telecommunication. Again, as was the case with the downtown firms, the accessibility for and of the clients is an relevant location factor (chapter 3). It can be assumed that the need for client-proximity is connected to this. For non-downtown firms, the scope of the market seems less important than was the case for the downtown firms.

Hypothesis 2 also posed that relationships with employees will have impacts on location preferences. Differences were expected between downtown based and non-downtown based business services. Attention was given to the following aspects:

- the predominant place of residence of employees;
- the cut between professional and clerical staff; and, brought up by several interviewees
- the amenities offered to employees.

The predominant place of residence for the interviewed downtown based business services is generally unimportant. Most employees of the downtown firms do not live Baltimore City, but in the suburbs. However, the accessibility of the firm for employees is important, as shown in chapter 3. Mentioned by one firm is the relevance of the place of residence of clerical staff as opposed to professional staff. Clerical staff often lives closer by the firm than the professionals and this was mentioned as a location factor. Public transportation is important for these people. Some firms attach great significance to amenities offered at the site to attract staff. An attractive office in an attractive urban environment is considered meaningful for employees.

Contrary to the downtown business services, the principal place of residence of the employees is relevant for the non-downtown firms. Generally, employees live in roughly the same suburban area as where the firm is located. Chapter 3 demonstrated that the accessibility of the firm for employees is not as important for non-downtown firms as it is for downtown firms. However, accessibility by car is more important in non-downtown areas. According to some firms Baltimore City, especially downtown, does not offer the site-amenities available in the suburbs. Mentioned by some non-downtown firms is the difficulty to hire professional staff in Baltimore City.

Hypothesis 2 expected a possible significance of the location of suppliers of goods and services for location preferences. For both the interviewed downtown and non-downtown firms this has proven to be irrelevant.

5
GOVERNMENT POLICIES
AND REAL ESTATE MARKET

5.1 Introduction

Chapters 3 and 4 dealt with influences on location decisions that were endogenous to business services firms. These were aspirations with respect to accommodation and environment, and functional requirements.

This chapter deals with two external factors that possibly influence location decisions of business services firms. Government policy might or might not create suitable areas for business services to locate in. Next to this, the real estate market is important; in general, office space is not built by the ultimate users, but by real estate firms or developers.

In the interviews with the sixteen business services several questions were asked with respect to government policies, especially incentives for firms to locate in a specific area, and with respect to the influence of actors on the real estate market. In addition, interviews with representatives of the two external influences were carried out. The main focus of this report are the interviews with business services firms. Government and real estate policies in the Baltimore metropolitan area can not extensively be dealt with. This would provide enough material for several reports in itself. However, an attempt is made to cover the most important issues.

5.2 Government policies with respect to Baltimore City

Baltimore's downtown has been heavily revitalized in the past two decades. By the end of the 1950's, Baltimore's downtown was in bad shape. New office space had not been built since before the depression of the 1930's and many industries were leaving the central city to find suitable space elsewhere. A group of local and regional businessmen was concerned about this situation and formed the Greater Baltimore Committee (GBC). A detailed account of this is presented by De Jong (1985). The members of the GBC realized that action had to be taken to alleviate the problems of downtown Baltimore; an overall plan for the downtown area was developed by GBC's own staff of planners, architects and engineers. Result of this overall plan was an specific action plan for a 33 acre area in downtown. The plan was officially taken over by the City government; the designated area came to be known as Charles Center. Charles Center's development started in the 1960's and resulted in an attractive business climate with high-rise office buildings, plazas, walkways and fountains. The Charles Center plan proved to be successful and led to another action plan: the Inner Harbor Redevelopment plan. Inner Harbor's redevelopment started in the mid-1960's and is now almost completed. Apart from business amenities the area offers many tourist attractions, hotels and a convention center.

The effect of the central business district redevelopment programs has been to create an environment for business development and particularly for office building development. The city has been able to capture a reasonable share of the business services activities that are housed in these offices. In recent

years the rate of office space construction even accelerated. For many years, about 250,000 to 300,000 square feet of office space were added every year, equivalent to one major office building. Recently, about three to four major office buildings have gone up every year, space that has been filled easily; the absorption rate is high (CPD, 1988).

The city has been very active in assisting developers to bring about their projects (Berkowitz, 1987; De Jong, 1985). Most assistance was funneled through so-called city-development corporations. These are semi-public agencies that are mandated to carry out city policies and to direct funds towards city development. Charles Center and Inner Harbor, for example, were developed with active assistance by the Charles Center Management Corporation and the Inner Harbor Development Corporation, respectively. The city-development corporations attracted developers and entered into so-called public-private partnerships: liaisons between the public and private sectors to realize specific, well-defined (economic) development goals. Baltimore City's downtown redevelopment is a prime example of this. The public private partnerships have been criticized and labeled as 'shadow governments': agencies that direct public funds without true public control (Levine, 1987a and b). This is not the place to evaluate the political merits of the public-private partnerships, however. In general, the success of Baltimore's downtown redevelopment is eminent.

The Baltimore Economic Development Corporation (Bedco) is another, and important, example of a semi-public government agency. Bedco has directed its activities primarily at the development of industrial parks and business parks outside downtown. Seton Business park and Cross Keys are examples of this. The main percentage of the activities in these areas is not industrial but business. It is, and it has been, Bedco's policy to create areas that provide the kind of locations that firms have sought in the suburbs, and that were relatively close to downtown. Bedco employs a conscious strategy to attract certain firms to the business parks. In general, office based activities and activities that require some form of high-technology are welcome. New examples are the Port Covington area South of downtown, and the Hopkins/Bayview area East of downtown. The former is a waterfront-area reserved for (commercial) office space and is still in the planning phase. The second development area is well under way, aiming especially at (bio)medical research institutions connected to the Johns Hopkins University.

Report 1 (Hessels, 1989) demonstrated that after 1980 the city's share of the region's total with respect to many services declines less than before 1980. Decentralization of many producer oriented services clearly slowed down. The boom in downtown office development began in the early 1980's and many business parks that were initialized by Bedco came to the surface around 1981; the 1970's were mainly planning years in this respect. However, the main part of the city's economic revitalization is due to downtown's redevelopment.

Although the activities of the GBC, the city government and semi-public agencies like Bedco have had a high impact on Baltimore's economic (re)development, the interviewed (downtown) business services firms hardly ever mention their relevance for location decisions. However, some respondents mention the relevance of organizations like GBC and Bedco for the economic performance of Baltimore City.

Respondent 15, a large accounting firm, stresses the importance of the GBC, Bedco and similar organizations, which are located mostly part downtown. Their relevance is perceived as manyfold, ranging from marketing to information source: *"They are the most effective marketers of the Baltimore area to the outside world. The more companies that come to this area, the better it is for my business, I would get my fair share of them as clients. Second, those organizations become a wonderful distillation point for information with respect to the area. Many times, if I want to research a company in this area I would go to those organizations and access their files. They also present a point where CEO's (Chief Executive Officers, MH) get together and discuss things that are important to our common interest. So, those organizations are critically important from a business standpoint".*

Respondent 6, a medium-sized advertising company downtown, did not stay downtown because of government policies, but is sure that stress would be placed upon him to stay downtown, in case he would decide otherwise:

"Pleads by the government not to leave downtown are issued to all firms here, I think there would have been a number of people distressed if we had decided to go to Baltimore County at that time (10 years ago, MH), or Columbia. Many people would have tried to persuade us from that decision".

Respondent 10's large downtown law firm has relocated several times within downtown. Ten years ago the alternative of moving to a suburban location was brought up within the firm. The company decided against it; respondent 10 states that GBC and Bedco would have tried to keep the firm downtown:

"It never went outside the walls of this office, as a matter of fact. It was just a view that was expressed as what this person felt would be the future. I don't think he anticipated the building that took of downtown at that time. We never spoke to Bedco. I do know however how Bedco would react, they would have tried, also at that time, to keep us here".

5.2 Government policies with respect to the rest of the metropolitan area

In the Baltimore metropolitan area, as in most metropolitan areas in the United States, coordination of (economic) planning between the various counties has long been virtually absent. Sometimes cooperation took place between Baltimore City and the counties; an example of a common regional interest is the development of infrastructure. At the same time there was competition for population and jobs. It can be said that in the 1960's, 1970's and early 1980's decentralization of population and employment out of Baltimore City was actively encouraged by economic development officials in the counties. In recent years this rivalry has moderated somewhat.

The philosophy of regionalism has gained momentum; especially the ties between Baltimore City and Baltimore County have been strengthened (Baltimore County borders upon Baltimore City in the North, West and East). City and County officials agreed that neither side will actively encourage companies to move from one jurisdiction to another. When a company wants to move to another county, the jurisdiction where it is currently located has to be notified. However, as far as the attraction of companies from outside the metropolitan is concerned, competition between jurisdictions still prevails.

A strong and binding spatial or economic development plan for the entire Baltimore metropolitan area does not exist. The Regional Planning Council (RPC), located in Baltimore City, is mandated by the legislature of the State of Maryland to prepare a general development plan. However, that plan is an advisory plan and means for implementation are absent. The earlier general development plans provided rather detailed land uses; in the recent plans these are no longer present. The main goal of the Regional Planning Council has been to avoid major confrontations among the jurisdictions in the region; the council only deals with matters about which there is general agreement. In 1988 a Regional Economic Development Committee has been founded; members of this committee are the directors of the various Economic Development Offices and certain representatives from the private sector. The central issue, according to Joseph Nathenson (Division Director Economic Research, RPC), is to develop a regional marketing strategy. The content of this strategy and its funding are still matters of debate, however (RPC, 1988).

Economic development planning is largely decentralized to the various jurisdictions. Each of the six jurisdictions in the metropolitan area has a planning department and carries out planning for its own territory. The deputy-director of Baltimore County's Economic Development Office stressed that the responsibilities of his office apply first to the County, then to the Region, and last to the State:

"My job is at stake. When I loose a firm to another county or to another SMSA, my boss wants to know why. So, I'll do anything I can to keep businesses within my county or attract new ones".

The activities of the Economic Development Office are threefold: a) external marketing, b) serving and assisting businesses in the County and c) attract tourism and conventions to the County. A conscious policy to attract specific industries is not exercised; all business is welcome, from heavy industry to business services. Development and marketing activities of the Economic Development Office are currently targeted at three major areas:

- Sparrows Point in the South-East of Baltimore County (500 acres);
- White Marsh in the North-East of Baltimore County (1,500 acres); and
- Owings Mills in the West of Baltimore County (1,500 acres).

The biggest obstruction to regional planning in the United States is the fiscal disparity between central cities and surrounding counties; this also applies to the Baltimore metropolitan area. Baltimore City's taxes are higher than the taxes in the counties and this has been an impediment for many companies to locate in Baltimore City. For example, the real estate tax in Baltimore County is half of that in Baltimore City and one third in the other counties (IPS, 1988). However, although city taxes are higher, the ratio of the total amount of funds gained from taxes in relation to general expenses is lower in the City than in the suburbs. The counties have been unwilling to share tax-income.

National urban planning by the federal government has diminished in the Reagan years. Before president Reagan came into office, more federal money was directed to cities than is the case now. Important were for example the so-called Urban Development Action Grants (UDAG's), which were directly targeted at distressed urban areas. A large amount of these federal funds have been used by the city to develop business parks. Indirectly, these past federal funds still add to the city's budget. The city is earning back capital funds when, for example, land

is sold or leased in Seton Business park or other areas. Those second and third round funds are used again for economic development projects.

To an increasing extent urban policy is left over to the states. State governments do not redistribute funds the same way as the federal government used to do. In the State of Maryland, Baltimore City is only one geographic subdivision among 24 counties. When more funds are directed towards, for example, the stimulation of economic development, the counties share in those funds proportionally.

Some interviewed non-downtown based business services mention the activities of government institutions. However, a direct link between government incentives and location decisions is mentioned by only one firm, a small legal service firm in Ellicott City. Asked if there had been any government incentives to attract him to his current location, respondent 8 answered:

"No, not in my case, I wish there were. Government revenue bonds, government assistance would have made it financially palatable for me to build a building here. I would have built a large building at that time and I wouldn't have been out of space already and be forced to move".

An advertising firm in Owings Mills (respondent 13) was interviewed. As mentioned previously, Owings Mills is one of the target areas of Baltimore County's Economic Development Office. Respondent 13 acknowledges the importance of the development office's activities:

"Oh yes! This is a big up-and-coming area, the Owings Mills Town Center. There is a big push and drive to keep businesses in this area".

Marketing activities by Baltimore City and the counties are mentioned by respondent 12, a medium-sized engineering firm in the Village of Cross Keys:

"We do get information from Baltimore City and the counties. It just doesn't have a bearing on our decisions".

5.3 The real estate market in Baltimore City

The market for office space in Baltimore City, especially downtown, is booming. In recent years hundreds of thousands square feet of office space has been constructed and much more is under construction or in various phases of planning.

According to data from the City Planning Department (CPD, 1988) approximately 657,000 square feet of Class A private office space was constructed in downtown between 1980 and 1983. In addition, 1,090,000 square feet public office space was constructed. In the 1984-1986 period the construction of Class A office space grew very fast: 1,508,683 square feet was constructed; this equals 7 major office buildings.

The following private office buildings were built in downtown Baltimore between 1980 and 1986: Equitable Bank Center, 371,000 square feet; Inner Harbor Center, 136,000 square feet; One Center Plaza, 100,000 square feet; Savings Bank of Baltimore, 50,000 square feet; Baltimore Federal Financial, 215,000 square feet; Herget Harbor Building, 25,000 square feet; One Market Center, 78,000 square feet; 6 St. Paul Center, 301,000 square feet; 250 West Pratt (CCF Building),

357,000 square feet; Union Trust Tower, 376,000 square feet; American National Plaza, 90,000 square feet; and Harbor Court, 67,000 square feet.

The public office space that was constructed in this period consisted of: Social Security-Metro West, 800,000 square feet; Municipal Employees Credit Union, 80,000 square feet; and Federal Reserve, 210,000 square feet.

In addition to Class A office space construction, rehabilitation projects were carried out, primarily to modernize Class B and C office space. Between 1980 and 1986 almost 35,000 square feet of office space was added to the market through rehabilitation. Class B and C office space is mainly occupied by data-processing centers, government agencies, smaller firms, non-profit organizations, etc.

In the years after 1986 the amount of office space in downtown Baltimore continued to grow. In 1987 the Redwood Tower was completed, adding 210,000 square feet Class A office space to the market. In 1988 the Legg Mason Tower (270,000 square feet) and Equitable Bank II (158,000 square feet) were constructed. The Legg Mason Tower-complex borders on the Inner Harbor and includes, apart from office space, a shopping mall and a hotel. In 1989 the Bank of Baltimore will complete its large, 330,000 square feet building.

Several office buildings are projected, including: Paca Pratt Office Center II, 234,000 square feet; St. Paul Plaza, 259,000 square feet; Commerce Plaza, 470,000 square feet; and Tower Building, 300,000 square feet.

Construction of these projects awaits the securing of lead tenants. Projects totalling 3 million square feet of Class A office space are in various stages of design or discussion.

It is estimated that the downtown office market can absorb approximately 350,000 square feet of new Class A office space each year. According to the City Planning Department, it is generally agreed that part of downtown Baltimore's surge in office development resulted from so-called 'pent-up demand': demand for office space resulting from the years long slack in office space construction. Although experts on the real estate market predict that Baltimore's office market will remain strong in the next decade, it is unlikely to maintain the growth that took place in the recent past. However, during the 1988 Kornblatt Real Estate Symposium, David Kornblatt, a large downtown developer, declared he expected excellent future opportunities for real estate development in Baltimore. According to him, factors contributing to this are:

- a low (and declining) vacancy rate of 10%;
- the planning and construction of a Light Railway system (connecting suburban Hunt Valley in the North and suburban Glen Burnie in the South and going through downtown), to be in effect in 1991;
- the planning of Port Covington;
- the prices of leasing or selling a building are relatively low; the prices in Baltimore are generally much lower than for example in downtown Washington (according to Kornblatt 40% lower);
- Baltimore is situated in between New York and Washington.

Outside downtown, the major part of commercial and office oriented real estate development took place in business parks. The prominent role of the Baltimore Economic Development Corporation (Bedco) has already been mentioned above. The

main goal was to keep existing businesses in the City and to attract new ones. Like most American cities, Baltimore lacked sufficient suitable land for commercial development within its boundaries. Bedco has tried to alleviate this shortage by acquiring suitable parcels of land, installing basic infrastructure and offering sites for firms that need new locations. Bedco has so far created 8 business parks in the city, employing 5,600 people and attracting almost 1,400 million dollars in private investment.

The 8 business parks that were created with active involvement of Bedco are: Bayview, 38 acres, investment \$7 million; Caton-95, 35 acres, investment \$20 million; Crossroads, 20 acres, investment \$14 million; Holabird, 170 acres, investment \$60 million; Park Circle, 40 acres, investment \$10 million; Seton Business Park, 153 acres, investment \$22 million; Quad Avenue, 25 acres, investment \$2 million; and Waterview, 35 acres, investment \$17 million.

The interviewed downtown business services all operate on the booming real estate market of downtown Baltimore, and all (except one) are accommodated in recently built high-rise structures. As will be demonstrated in chapter 6, downtown business services clearly prefer downtown instead of other locations. Even the various business parks within the city's limits are not regarded suitable. Although the respondents generally claim to be well aware of the possibilities on the downtown office market, office space in downtown is often found with the additional help of real estate consultants. In many cases these real estate consultants are former clients, business associates or mere acquaintances. The decision sequence is usually as follows: first the principal decision to (re)locate to a downtown site is made; several suitable buildings are selected and the choice possibilities are narrowed down; finally the building is chosen on the basis of the best deal with respect to leases and available space. Respondent 1, a medium-sized downtown accountant:

"A combination of real estate consultant and own initiative, concerning this particular building. There was a major first decision to move downtown (from Towson, MH) and then found the appropriate space".

Respondent 10, a large downtown law firm, also found its site with the help of a real estate consultant, but did a lot of research itself.

"We did an aggressive campaign to find out what was available. We contacted the representatives of all the major projects going on downtown. We used a commercial real estate brokerage firm that we did work for. We asked them to let us know what they knew about them, and then we took all the data and put it in the computer. Then we started eliminating possibilities until we got it down to three choices. And then we went back and bargained with each of those to get the best deal that we could. We had about five or six partnership meetings to discuss the pro's and con's of each choice and finally ended up with this building".

To be able to make effective use of the office space can be an important issue to decide in favor or against a certain site. Again respondent 10:

"Take for example the building across the street, the Merit Tower. As you see, it is still a 'see through building', you can still see it's empty. There is a good reason for that: the floors are too small. In order to properly design a law firm you need a large enough floor for a central core area to support the

outer offices. In that building the floors are approximately 14,000 square feet, in this building they are almost 20,000 square feet. That 6,000 square feet is the difference whether you can make an economic use of the core area. After we had a space designer look at it we decided against it".

Downtown in general is considered a good location, although in recent years a differentiation has emerged between the older Charles Center office area and the office milieu bordering upon the Inner Harbor. As already mentioned above, the Inner Harbor is developed fairly recently; its development is the result of Charles Center's success story. However, Charles Center is becoming to be perceived as rather outdated with respect to Class A office space. All moves of business services in downtown are towards the Inner Harbor and its vicinity (see also chapter 7). Respondent 15, a large downtown accountant, currently located in Charles Center, and relocating towards the Inner Harbor (Bank of Baltimore Building), makes this very clear:

"At one time this was the most attractive building in Baltimore, now it is one of the least attractive in Downtown. What's getting us to leave here is the fact that the building is geographically 'out of the loop', the action has moved to the Inner Harbor, (....)".

Respondent 14, also a large accountant, is located in the Legg Mason Tower at the Inner Harbor for only eleven months and considers its accommodation the best in downtown Baltimore:

"This building has features that no other building in the city has. The entire complex is next to the retail, next to Stouffers Hotel, it's unique. And it's very close to the Inner Harbor".

The World Trade Center, in which respondent 6, a medium-sized advertising firm holds office, is located right at the Inner Harbor. This Baltimore landmark exists already 10 years and was among the first structures to be erected on the Inner Harbor waterfront. Respondent 6 calls the site "a glamorous location".

Respondent 1 expects that Baltimore's business core will remain where he says it is now: at the fringe of the Inner Harbor:

"We would not move four blocks from here, not unless the whole business community made such a shift. I don't see that happen in the next 20 or 30 years if you see what's going on around you here. IBM is going to build a 26 story building down the block, Signet, the Bank of Baltimore just built all these big buildings".

5.4 The real estate market in the rest of the metropolitan area

In 1988 Baltimore City contained approximately 40% of the metropolitan area's total amount of private office space (Manekin, 1988). Baltimore County accommodated 38% and Howard County 14%. The remaining 8% were divided by the other three counties that are part of the Baltimore metropolitan area. Especially the Baltimore Washington International Airport area in Anne Arundel County housed a large amount of office space (6% of the region's total).

Although office construction in downtown Baltimore and in Baltimore's business parks is substantial and booming, the suburban areas have increased their office space faster. Initially the growth in private office space was strongest in

Baltimore City and the years 1985-1986 witnessed extreme growth (+150%). However, in recent years this growth slowed down and arrived at a moderate 5% annual level between 1986 and 1988. In the surrounding areas the office market expanded fast also in recent years (Manekin, 1988):

- Baltimore County's square footage of private office space grew by 28% between 1984/85, 17% between 1985/86, 14% between 1986/87 and again 17% between 1987/88. The major growth areas in Baltimore County are the Towson-Hunt Valley Corridor, Owings Mills and White Marsh;
- Howard County's total amount of private office space grew by 15% between 1984/85, 40% between 1985/86, 31% between 1986/87 and 10% between 1987/88. Growth poles in Howard County are Columbia and Ellicott City;
- The area around Baltimore Washington International Airport in Anne Arundel County is scattered with business parks. The total amount of private office space grew by 19% between 1984/85, 37% between 1985/1986, 5% between 1986/87 and 22% between 1987/88.

Frequently office development takes place around large retail centers. Prime example of this is the Owings Mills Town Center with its affluent and well known shopping mall. Also in other suburban developments the malls play a significant role, either as additional attractions for office clients, or as an amenities offered to office employees.

According to James F. Knott, a large suburban developer, the suburban parts of the Baltimore Region are attractive for commercial development because of the following characteristics:

- a. its location:
 - proximity to the Interstate 95 connecting Washington, Baltimore, Philadelphia and New York;
 - proximity to the Baltimore Beltway (I 695);
 - proximity to the Baltimore harbor;
 - proximity to Columbia;
 - proximity to Baltimore Washington International Airport;
 - proximity to Washington's Dulles Airport;
 - proximity to the Baltimore-Washington parkway;
 - relatively low taxes compared to Baltimore City or Washington, especially in Howard County, Carroll County and Harford County.
- b. its labor pool:
 - a population of over 5 million people;
 - a diversified labor force;
 - the largest concentration of scientists and engineers.

Usually, developers like Knott work according to the 'spec-building' method ('spec' meaning speculation). The developer buys a piece of land and provides the infrastructure and the building layout. The developed site is then marketed through advertisements in different newspapers, depending on its characteristics. It is only then that the eventual users come in the picture, they do not initiate the development. Often however, the users have a say in the interior designs of the buildings before construction starts.

Like the users, also county or town councils rarely play an initiating role with respect to developing an area.

Marketing activities for office park developments stress their aesthetic merits and the amenities at the site. One of Knott's near-future developments, for example, is "The Highlands Business Park", situated North of Hunt Valley. The park is advertised in a colorful and lyrical way (Knott, 1988):

"Visualize rolling hills, a pastoral setting with the seasonal colors of nature's palette. Autumn's leaves forming a patchwork quilt of gold and burgundy, winter's long shadows, the first blush of spring and the brilliance of a summer day. The Highlands, woven into nature's terrain, is a tailored business environment reflecting the textures and aesthetics of the land. The Highlands combines a strong corporate work environment, prime location, expansion capabilities and a flexible site layout into an affordable package which addresses and fulfills the business demands for the 90's and beyond".

The accommodations developed in suburban areas are mainly low- to medium-rise and the size of the developments is substantial; the Highlands development, for example, will total 1.2 million square feet. To compare: Port Covington, Baltimore City's foremost future development site with respect to private office space, will total 2 million square feet.

Also the majority of the interviewed suburban based business services acquire their accommodations via real estate consultants. One firm, a large advertising company in Towson, even went as far as California to find a consultant. Two interviewed firms mainly used their own resources to find their accommodation. These were a medium-sized engineering firm (respondent 12) and a small suburban law firm (respondent 8).

5.5 Summary and conclusion

Government policies and the real estate market in the Baltimore metropolitan area, introduced in the explanatory model (paragraph 2.6), have been extensively dealt with in this fifth chapter. Hypothesis 4 posed the importance of government policies and the real estate market for location decisions of business services, and differences in this respect between downtown and non-downtown firms.

5.5.1 Government policies

Government policies in Baltimore City have had substantial impact on downtown's revitalization. The policies were and are exercised, and implemented, mainly through so-called economic development corporations that enter into public-private partnerships with the private sector. Charles Center is a prime, however declining, example of downtown office space development actively promoted and assisted by the city government. Inner Harbor's revitalization created a subsequent attractive downtown milieu for office development as well as tourism and conventions. Although none of the interviewed downtown firms explicitly state that their location decisions were influenced by government incentives, it is clear that government initiatives have influenced the creation of suitable sites and accommodations for business services. As will be shown in chapter 6, the interviewed downtown firms clearly prefer downtown locations above locations elsewhere in the Baltimore metropolitan area.

In the other parts of Baltimore City the city government has had a considerable

impact on economic development. Many business parks were developed with active assistance of a major economic development corporation, Bedco (Baltimore Economic Development Corporation). Although the business parks are mainly designated to office based and high-technology oriented firms, the interviewed downtown business services hardly consider them suitable to locate in. Chapter 6 will detail this further.

Government policies towards the whole Baltimore metropolitan area are scattered and, for the most part, lack consistency. A strong overall economic development policy is absent; each jurisdiction, or county, exercises its own development goals. In the past, competition for jobs between the counties has been fierce. It can be said that decentralization of many jobs from Baltimore City towards the counties was actively assisted, if not promoted, by suburban jurisdictions. Recent years have witnessed a tendency towards a more 'regionalistic' attitude; especially the cooperation between Baltimore City and Baltimore County has strengthened and competition for jobs between the counties and the city has moderated. However, the main obstacle for regional planning still exists: the fiscal disparity between the city and the counties. In addition, direct federal assistance to distressed urban areas has diminished. Baltimore City's position has worsened compared to that of the counties.

The interviewed non-downtown business services hardly ever mention the relevance of government incentives for location decisions. One firm did mention the importance of Baltimore County's Economic Development Office for the economic development of the Owings Mills area. Owings Mills, situated North-West of Baltimore City, is indeed one of Baltimore County's foci for economic development. It is hard to assess the impact of the counties' economic policies for the location decisions of (business services) firms. If it is true that decentralization of economic activities has been assisted and promoted by suburban jurisdictions, the impact has of course been substantial. However, this impact has probably been less direct than that of Baltimore City's development corporations with respect to the downtown revitalization.

5.5.2 The real estate market

Baltimore's downtown office market has grown substantially in the 1980's. Many high-rise structures emerged in downtown, first in the Charles Center area and later at the Inner Harbor. It seems as if the focus of Class A office space construction is shifting towards the Inner Harbor. The Baltimore real estate market is attractive for builders and developers, because real estate can be leased and sold at relatively low prices, the vacancy rate is very low and declining, and finally because it is situated right between New York and Washington. Although it is generally expected that downtown Baltimore's office market will remain strong in the next years, the recent boom will probably not be repeated.

Also in other parts of Baltimore real estate developments have been considerable in the 1980's. Of course the increases took mainly place in the business parks; Bedco's role in realizing these parks has been described already. Office space in the business parks outside downtown is not considered suitable (chapter 6).

The interviewed downtown business services usually find their location with the help of real estate consultants. The advice and information provided by these agencies is usually thoroughly analyzed before a decision is made. Locations within downtown are preferred and the attention is to a large extent focussed at the Class A office developments at the Inner Harbor, instead of for example Charles Center. Since almost all interviewed downtown business services do not own or build their accommodations, they are largely dependent on the supply of leasable office space. The shift in preference towards the Inner Harbor reflects office development trends.

The real estate market in suburban parts of the Baltimore metropolitan area has grown fast. Especially in the very recent years the growth of office space in the suburbs dominates the growth in the city. More than half of the metropolitan area's total amount of private office space is now suburban. Growth poles are the Towson-Hunt Valley corridor North of the city, the Owings Mills area North-West of the city, Columbia and Ellicott City in Howard County (South-West of the city) and the area around BWI Airport in Anne Arundel County (South of the City). Suburban areas in the Baltimore metropolitan area are attractive for developing business parks for several reasons: the Interstate 95 (connecting Washington and New York), the Beltway around Baltimore City and the Baltimore-Washington Parkway are close by; BWI and Dulles Airports are close by; the taxes are relatively low; and finally, the labor market is considered large and diverse.

Usually neither the eventual users, nor local or county jurisdictions play an initiating role with respect to developing a suburban area. It seems reasonable to assume that location decisions of the suburban business services are more influenced by real estate developers than by suburban government policies.

**AREA PREFERENCES
OF BUSINESS SERVICES**

6.1 Introduction

The preceding chapters dealt with the possible influences on location decisions made by business services firms in the Baltimore metropolitan area. What areas do these firms actually pursue and why do they prefer certain locations better than others?

During the interviews, the respondents were presented a list of areas in the Baltimore metropolitan area, ranging from downtown Baltimore to typical suburban areas. The question was which areas would be suitable for the respondent's firm to operate in. The areas are well known in the Baltimore region and it could be assumed that the respondents had at least some knowledge of their existence and characteristics. The areas were:

- Downtown Baltimore, stretching from the Inner Harbor to Mount Royal Avenue. Baltimore's center has been heavily revitalized in the past two decades;
- Seton Business park, a business park in the North-West of Baltimore City. Baltimore's city government has had a high impact on the development of this park;
- Caton 95 Business Park, a business park in the South-West of Baltimore City, close to the city limits. It is located in close proximity to Interstate 95, connecting Baltimore and Washington;
- Benson Business Center, located close to Caton 95;
- Columbia, a suburban development in Howard County in the South-West of the Baltimore metropolitan area. Columbia is a large and mainly privately developed suburb. The Rouse Company is the main developer in this large newtown. Columbia contains many residential as well as commercial elements;
- Owings Mills, a recent and upcoming suburb in Baltimore County, West of Baltimore City. A large and affluent shopping mall is a major characteristic of this area and many offices are situated here. The area is connected with downtown Baltimore by a metro line;
- Hunt Valley, a new and predominantly commercial district in Baltimore County, quite far North of Baltimore City. Large companies, for example McCormick and Black and Decker, have offices here;
- White Marsh, situated in Baltimore County to the North-East of Baltimore City. White Marsh is an older and typical suburban development along one of the routes going out of Baltimore City into the county;
- Glen Burnie, Anne Arundel County, also an older suburb South of Baltimore City. Glen Burnie is located in the area between Baltimore City and Washington, also called "the Baltimore-Washington Corridor";
- the area around Baltimore-Washington International Airport (BWI), situated in Anne Arundel County in the Baltimore-Washington corridor. The area around the airport features many large and new industrial parks;
- Washington and its region; no further specifications were given here since the analysis was aimed, after all, at the Baltimore metropolitan area. This option was only brought up to see whether, besides the Baltimore area, the Washington area had its attractions to business services firms.

Respondents were asked to mark down "yes" for the areas they thought their firm could operate in, and "no" for the areas not perceived as suitable for the firm. Just as in chapter 4, only areas receiving 50 or more percent "yes"-responses will be considered as relatively suitable areas for business services firms. Moreover, the interviewees were asked what they considered the 2 or 3 most positive characteristics of the "yes" areas and the 2 or 3 most negative characteristics of the "no" areas.

First, the preferences of all firms will be analyzed in paragraph 6.2. Downtown firms and non-downtown firms are addressed in paragraphs 6.3 and 6.4, respectively. The last two paragraphs contain the opinions of the interviewed business services firms.

6.2 Area preferences of all firms

Table 6.1 presents the preferences for the selected areas by all firms.

Table 6.1: Preferences for selected areas;
all firms (%)

N = 16	Yes	No	Total
Downtown Baltimore	69	31	100
Seton Business Park	25	75	100
Caton 95 Business Park	19	81	100
Benson Business Center	13	88	100
Columbia	31	69	100
Owings Mills	44	56	100
Hunt Valley	44	56	100
White Marsh	13	88	100
Glen Burnie	0	100	100
BWI-area	31	69	100
Washington + region	56	44	100

Only two areas are perceived suitable by all interviewed business services firms. Downtown Baltimore is regarded suitable by most firms and second in line is Washington and its region. Owings Mills and Hunt Valley are the only suburban areas that are preferred by a reasonable proportion of the interviewed business services firms. Columbia and BWI's popularity is mediocre. Areas that are clearly not considered suitable by the interviewed business services are the three business parks in Baltimore City (although Seton caught some attention) and the two older suburban White Marsh and Glen Burnie areas.

6.3 Area preferences of downtown firms

Table 6.2 (next page) shows the preferences for the selected areas by the interviewed downtown firms.

Downtown based business services clearly prefer downtown Baltimore. Also Washington and its region are considered suitable, primarily because many interviewed business services already have offices there. The area around Baltimore-Washington International Airport is considered suitable by only a modest number of firms. Generally, all other selected areas are not favoured by

Table 6.2: Preferences for selected areas;
downtown firms (%)

N = 8	Yes	No	Total
Downtown Baltimore	100	0	100
Seton Business Park	13	88	100
Caton 95 Business Park	13	88	100
Benson Business Center	13	88	100
Columbia	25	75	100
Owings Mills	13	88	100
Hunt Valley	25	75	100
White Marsh	13	88	100
Glen Burnie	0	100	100
BWI-area	38	63	100
Washington + region	75	25	100

the interviewed business services firms located in downtown. Hunt Valley and Columbia receive reasonable approval, yet by far insufficient to consider them suitable.

Downtown is regarded suitable by all interviewed downtown business services located downtown. The impressive and representative image of downtown locations is often brought up as an outstanding positive quality. Respondent 14, an accounting firm downtown, formulates this most clearly and concise:

"(....) we need to be in a very high visible, high image, high professional location".

Image is also important for respondent 3, a small downtown architectural service:
"The location for an architect has more to do with image than with getting your clients. An architect that is located in the city has certain associations going along with that, rightly or wrong, that do not go along with an architect located in Towson, for example. They see the firm as a different type of firm. By being located in an urban center means being located in a business center and a financial center. We are seen as part of that center and its business activity. There is also a sense of what an architect does. When an architect is located in the city the client perceives that as having made a commitment to that city by virtue of their location. I think if you're located in the suburbs and you talk about urbanism, it is kind of a hard sell".

Proximity to large financial institutions, even when these are not major clients, is an important factor. Respondent 10, a large law firm in downtown, wants to be located

"(....) where all the banks are, where all the stockbrokers are. It's (downtown,MH) where the business district is. I guess it is just a habit".

Proximity to other firms and financial institutions is frequently interpreted as a matter of atmosphere. Respondent 15, a large downtown based accounting firm, is very explicit in this respect.

"I think there is a synergy that comes from a city environment. As an example, it is very easy to conduct a large number of my businesses over lunch, dinner and even breakfast. This is very easy to do in Baltimore City. You can walk to any of those locations; even in Hunt Valley you have to drive around and go through some things to make that happen. There is a synergistic quality about the city that makes it very attractive from a business standpoint. Everything

works easier down here, the major business organizations, like the Greater Baltimore Committee, are located in the city. All of that is part of the "feel" we're trying to develop".

Respondent 15 not only stresses the atmosphere issue from a business perspective, but also from the perspective of downtown as a place-of-work:

"I want my people to feel they are part of the city and that the city is important. Not just from a business standpoint, but from a broader standpoint".

Respondent 1, a medium-sized accounting firm in downtown also phrases the atmosphere-ingredient of downtown:

"In general, the firm wants to be in the downtown financial district, where the banks and the lawyers and the heart of the business community are. For Baltimore it's here. The other areas are not necessarily negative, but they don't have the overall positive qualities of downtown. We want to be part of the downtown business community. It's not only a matter of being close to other businesses, but also a matter of atmosphere. To use a colloquial expression: 'to be where the action is'".

Respondent 6 a downtown based advertising agency, interprets the proximity of other business likewise:

"It is more an atmosphere kind of issue than that it is a necessity. I think it is good to be close to the people you bank with, or your law firms; it is good to be close where business is happening and it tends to happen down here. You're close to the Center Club, which is Baltimore's business club. Business people are members, you see them at lunch time. It is the chance to bump into people you want to see, you can transact business easily that way. It's not considered an issue 'where to have lunch', you don't have to get into an automobile to go and find some place to do that. Everything is in walking distance. I don't know any of our major competitors who are located in a suburb".

Downtown is considered central for the employees by the advertising agency already mentioned above, respondent 6:

"Downtown is central for employees, it's there where you can pull from all areas into here".

Accessibility for clients is emphasized by respondent 16, a relatively small computer services firm in downtown:

"It makes us very accessible to our client-base. Most of the time our clients do not come here, but just in case, it's a very recognizable site"

It is striking that respondents 6 and 10 consider their preference for downtown more a habit and a matter of atmosphere than an absolute necessity. Their firms could operate in other areas if needed.

According to most interviewed downtown businesses other areas definitely do not possess desirable qualities. The lack of image stands out as a disadvantage of suburban areas. Respondent 6, the large advertising agency, expresses the dislike for suburban areas explicitly in image terms:

"I would call it image, the image of the locations. An advertising agency with our client list does not want to be in an industrial park. That is essentially what it is".

Respondent 15, a large downtown based accountant firm, formulates the negative image issue in a different way:

"In none of those areas there is a core, you just have a lot of buildings kind of spread about. There isn't a focus. In the city there is a focus, there is a real funneling of information and effort in the city that does not exist in any of the other areas, including Hunt Valley or Owings Mills (the fairly new and upcoming suburban commercial districts, MH)".

Respondent 10, the large law firm, attaches a negative perception to areas outside downtown because of the absence of large financial institutions and the absence of courthouses in the selected areas:

"An industrial park would not suit, even though they are called business parks. There would be a negative perception I guess from many standpoints. Proximity to a courthouse would not be there, having the financial district around you would not be a possibility. Very important is the overall negative perception of being located more or less in the boondocks (swamps, MH) of Owings Mills, Hunt Valley, White Marsh, Glen Burnie; those areas are considered to be more shopping areas rather than financial business areas. They have big malls and they may have small law firms, but they do not have large financial establishments".

The mere location of the areas outside downtown is also brought up as an issue. Respondent 14, a large accounting firm downtown, considers the areas outside downtown as being

"(....) in the wrong place, it's location. It's purely a matter of being downtown, which is where we need to be. Our people need to operate from one base point. Even if we move to Columbia or Towson or Hunt Valley or any other place other than downtown, we would need to have an executive office in this area. We would always have to have a home base downtown. We need to be as close as we can to the center of the business activity".

Also respondent 16, the computer services firm, stressed the location issue:

"They are just too far out of the way, they are not convenient for anyone. Not for us, not for our employees, not for our clients".

6.4 Area preferences of non-downtown firms

Table 6.3 (next page) presents the preferences for the selected areas by the interviewed non-downtown firms.

Most preferred are Owings Mills and Hunt Valley, the two recently emerging and upcoming suburban areas. Downtown Baltimore and Seton Business Park are two locations in the City that are only moderately appreciated. The Columbia suburb and Washington and its region also catch only moderate approval.

Caton 95, White Marsh and the BWI area are hardly approved of and Benson Business Center and Glen Burnie are clearly not favored.

Owings Mills and Hunt Valley are most preferred by the interviewed non-downtown business services. This preference is expressed by all interviewed advertising

Table 6.3: Preferences for selected areas;
non-downtown firms (%)

N = 8	Yes	No	Total
Downtown Baltimore	38	63	100
Seton Business Park	38	63	100
Caton 95 Business Park	25	75	100
Benson Business Center	13	88	100
Columbia	38	63	100
Owings Mills	75	25	100
Hunt Valley	63	38	100
White Marsh	25	75	100
Glen Burnie	0	100	100
BWI-area	25	75	100
Washington + region	38	63	100

agencies and all interviewed non-downtown legal services. From the other industries, however, only some express favorable opinions about Owings Mills and Hunt Valley. The fact that Owings Mills and Hunt Valley are expanding areas and their good accessibility by major highways, are positive traits that are often mentioned. Respondent 4, a large computer services firm in Towson, expresses this as follows:

"The Owings Mills and Hunt Valley areas are growing areas. This relates well to employee availability. From a geographic location point of view they are both fairly well located on or near major highways. They would give us fairly well accessibility".

A small engineering firm in Hanover, respondent 2, favors Hunt Valley and Owings Mills also for the design market available there.

"They are expanding areas for one thing. The design is just starting to be done. Also, they are situated along large interstate systems".

An element that is brought up by respondent 8, a small law firm in Ellicott City, is particularly interesting, because it corresponds to the "image" issue articulated by many interviewed downtown business services:

"There are basically upward mobile people, as opposed to the city. There are new businesses, at least the facilities are new. Finally, there is not such an over-abundance of services of my type, I can fit a hole in the marketplace down there".

Generally, downtown Baltimore is not very much appreciated. The responses of the interviewed non-downtown firms are almost a mirror of the opinions of the firms located downtown. Respondent 4, a large computer services firm in Towson wonders why anybody would want to locate a firm in downtown Baltimore:

"Hiring people is extremely difficult. If people had a choice between going downtown to work versus working in a suburban area somewhere.... Just the hassle of driving downtown and getting downtown; perhaps parking, that costs a lot more downtown than here. Parking may not be great here, but it's free".

Respondent's 2 aversion towards downtown was extreme. This small engineering firm, already mentioned before, was once located in downtown Baltimore; maybe genuine experience caused the following quote. Many elements again correspond (in a negative way) to the "atmosphere" issue mentioned by so many downtown based firms and also to the issue of hiring employees brought up by respondent 4:

"I had an office in downtown Baltimore. I did not especially like it down there. The safety was a problem, the neighborhoods are not the best down there. The people I deal with are developers, large companies that moved out of the city to industrial parks, mostly for the same reason as me. The restaurants are expensive, parking is at a premium. Around the Inner Harbor it is very, very nice, but the rest of downtown is terrible, just horrible. And that is the atmosphere I don't especially like. And for my employees, very few of them live in the city just for that reason, they don't want to fool with that. The school-systems are lousy, I could go through a hundred different things on that. It is hard to get good employees downtown".

As opposed to the interviewed downtown based firms (especially the large law firm, respondent 10), a small law firm in Ellicott City (respondent 8) mentions the absence of interaction among businesses downtown, especially among law firms. Respondent 8 was located in downtown Baltimore until 15 years ago:

"The problem with downtown is that there are a thousand firms. They are cloistered away in buildings and there is very little interaction. Accessibility to other law firms has some importance to me, in the law-field you spend time consulting with other lawyers, trading 'war-stories', finding out what was important and what judges have done with certain things, what new laws have come out. I need the interaction. In Baltimore you don't really have that, you have people on the 10th floor in one building and on the 18th in another across town, who really don't interact. In the counties there is a flow of lawyers into and out of the courthouses, a more day-to-day contact exists, that's important".

Furthermore, almost all interviewed suburban business services mention the traffic congestion in downtown Baltimore as a problem.

White Marsh, Glen Burnie and the BWI area are not liked by many interviewed suburban business services. The respondents are not very clear about their most negative characteristics, however. These areas are considered as rather peripheral to the main markets in the Baltimore metropolitan area. Also, the image of the locations is important; White Marsh and Glen Burnie are judged as more or less "blue-collar" areas, as opposed to the "white-collar" upper middle class image of Owings Mills and Hunt Valley. Respondent 13, a small advertising company in Owings Mills, even labels White Marsh and Glen Burnie as "bad neighborhoods".

Seton, Caton 95 and Benson are not seen as real business centers by respondent 8, the small law firm in Ellicott City:

"Seton and Caton are 'business parks'. People go into there buildings, they stay in at lunch time and come out of their building in the evening. Unless everyone in the business park would be my client, those are not the areas I would want to be".

The BWI area is associated with traffic congestion by respondent 7 (a large advertising firm in Towson), respondent 13 (a small advertising firm in Owings Mills), and respondent 8 (a small law firm in Ellicott City).

6.5 Summary and conclusion

After having analyzed in chapters 3, 4 and 5 the possible determinants of location preferences of business services, chapter 6 dealt with the preferences these firms have for certain areas in the Baltimore metropolitan area.

Among the interviewed downtown based business services only downtown Baltimore and Washington and its region receive enough approval to regard them as suitable. The image of downtown locations is most often mentioned as a positive characteristic. Next to this, proximity to other firms and financial institutions is significant, although this is repeatedly interpreted as adding to the downtown atmosphere. The approval of Washington is expressed mostly because many firms already have offices there. According to interviewed downtown firms, other areas in the Baltimore metropolitan area either lack the necessary image, or are just in the wrong location.

The interviewed non-downtown business services approve most of the suburban Owings Mills and Hunt Valley areas, although only one interviewed firm is located there itself. These recently developed and economically upcoming areas are situated West and North of Baltimore City, respectively. Positive characteristics are their expanding nature and proximity to major highway systems. Downtown Baltimore is generally not considered suitable. The reasons for this are rather diverse, ranging from traffic congestion to an overall negative image and the absence of adequate interaction among firms located in downtown. Note that downtown based business services mention this last characteristic (in reverse) as an outstanding positive feature of the downtown area. Other suburban areas are not highly approved of by the interviewed non-downtown firms, a blue-collar image or a peripheral location being profound disadvantages.

7
PAST AND FUTURE
RELOCATIONS OF BUSINESS SERVICES

7.1 Introduction

A surprising number of the interviewed downtown and non-downtown business services have either relocated very recently, or will relocate in the near future. Some firms have already made several moves in their existence. This high geographic mobility possibly reflects the geographic mobility of the whole business services group in the Baltimore metropolitan area. Business services industries have experienced rapid expansion in employment terms in the past decade. Between 1975 and 1980 employment in business services in the Baltimore metropolitan area increased by 34%; between 1980 and 1985 the increase was 55%. Compared to this, total employment only moderately increased: 13% in the first period and 14% in the second (Hessels, 1989). The boost of business services employment might be attended by increasing geographic mobility.

In this chapter the motivations underlying mobility patterns of the interviewed business services are analyzed. Just as in preceding chapters, a difference will be made between downtown and non-downtown firms (respectively paragraphs 7.2 and 7.3).

7.2 Causes of past and future relocations; downtown firms

Of the eight interviewed downtown business services, six recently relocated and two will move within the next two years.

Respondent 1, the medium-sized accountant firm, moved from Towson, where it had been for 19 years, into its high-rise downtown location 8 months ago. The disadvantage of the Towson location was that the facility did not match the preferences of the firm. Further, the firm wanted to join the downtown business community with its high image and business atmosphere; Towson is certainly not considered part of that:

"That particular property we were in was getting a little run down. And Towson in general lacked what we felt was important in terms of being in the downtown business core with the opportunity to be closer to bankers and lawyers. We couldn't have that in Towson without having to travel down. Towson is not part of that community. An important factor is a major event that took place in 1987 in which this firm merged with a local firm in Towson. This accounting firm did not have an office in Baltimore prior to this. This was the first major event when the quality of the facility and the location came into play. The facility was not a class A building. In the search for the new location, downtown was the only area that was looked at".

Respondent 1 will not move again in the next decade. The firm made a major investment in moving to their present location close to the Inner Harbor. Even relocation within the downtown area is not thought of.

"This is where we are going to be. We would not move four blocks from here, not unless the whole business community made such a shift. I don't see that happen in the next 20 or 30 years if you see what's going on around you here. IBM is going to build a 26 story building down the block. Signet, The Bank of Baltimore

just built all these big buildings. What are they going to do, move out if all these buildings? That shouldn't happen, this is the core. This is what died 20 years ago and is being rebuilt".

A large law firm downtown, respondent 5, is at its present site for only 2 months. The previous location was just a few blocks away; the firm relocated Southward, towards the Inner Harbor. The present accommodation is a brand new, high-rise structure, built and owned by the firm itself. There are no other firms present within its walls. The reasons for relocating were the potential for expansion of the firm in the accommodation, the possibility to own the building and the proximity to the city center. Unfortunately no interesting quotes can be presented from this respondent: interview 5 was not very successful.

The other large law firm, respondent 10, is located in the present building for only 3 years. Respondent 10 has always been downtown, but on many different locations. The interviewee called the firm *"The Gypsy Law Firm"*. The main reason for all these moves, also the last one, was the expansion of the firm.

"Space, we were out of space. And that was the same reason why we moved into that building from Pratt Street, the IBM Building. We had not anticipated the growth we were facing, so that when it occurred, we were not prepared with our lease situation to meet the demand of space. We were boxed in, all the space around us was taken and people did not want to leave".

One of the reasons to move into this particular building was the possibility to own part of it. At the time of the move, 3 years ago, certain tax-credits were still in existence.

"That was an important factor, especially back then before the tax laws changed. Because we could take advantage of tax-credits etcetera. This offset the rent increase we were facing by moving from the older building to the brand new building. Economically, the numbers at the bottom line ended up to be best in this building".

Respondent 10 will not move again in the near future. The firm still expands, but this is met by opening a branch office in Towson; so, a suburban branch office is not rejected.

"(....) We moved into the present building with three floors, which is a total of about 58,000 square feet. We thought that was all we would need for the next 5 years. And there again, we were wrong. Within a year and a half I was negotiating to take over the 12th floor, early. We realized we were in the crunch again, our next option for space in this building didn't come up until 1994.

(....) What we have done is design the growth in Towson to accommodate what has been our history for the past 4 or 5 years. Between this building and the building in Towson we can accommodate our growth, every two years half a floor."

The same activities are performed at the branch office as at the downtown site. Nevertheless,

"(....) the bankers and other lawyers that are located downtown like to know that they can meet you downtown. That is where they are used to meeting you, where you take them to lunch, it's where you meet in their offices. So even though we can do all that work out there, we still have to have the presence downtown, the major presence downtown, to be called upon as a downtown law firm".

Respondent 14, a large accounting firm, is in its accommodation for just 11 months. It is located in the brand new, high-rise Legg Mason Tower at the Inner Harbor. Previous locations were all downtown. The most important considerations

to move here were the image of the location, the capacity for growth, the reasonable price per square foot, the availability of parking in the building and accessibility. Respondent 14 relocated to the Legg Mason Tower mainly because of a lack of space to expand the firm. An additional motivation was the feeling that the co-occupants at the previous site did not quite suit the image pursued by this firm.

"We got to the point where we had offices in two buildings, the First Maryland Building and the Mercantile Building. We were in two locations, we needed expansion space, we needed to renovate and redecorate. Further, the First Maryland Building changed somewhat in its clientele, we felt we needed to be in a new building which would fit our image better. In the First Maryland Building was a group of Internal Revenues people. As wonderful as they are, they are still not the same sorts as our professional people or the law firms people. A large firm moved a large back office in there. More and more clerical, administrative support type activities were entering the building rather than professional and banking operations. This building, the Legg Mason Tower, offers less back office type operation. There are more professional firms here. However, this was all important but not the main consideration. The main consideration was that we needed more space, we needed to get hold of our people in one building. We wanted to move to the very best location we could go to and we could afford".

A small architectural firm, respondent 3 moved to the present location 3 years ago. The company's previous location was South of downtown, in an area called Federal Hill. They moved to the current accommodation for reasons of space and safety:

"It was not the accessibility so much as safety".

Respondent 3 wants to stay downtown and will probably move again in 2 or 3 years, depending

"(....) on the success of the firm. I think we want to stay within the metropolitan area of Baltimore. We do not move away from the center of the town".

Respondent 16, a medium-sized computer services agency, moved to their site 2 years ago. Before this the firm was located on Pratt Street, also downtown. Expiration of the lease was the reason for moving. The motivation for staying downtown was their client base, mainly consisting of larger firms located in the downtown area.

Respondent 15, a large accounting firm, will relocate in August 1989. Most important causes underlying this decision are the need to expand the firm, the representational appearance of the new building (the Bank of Baltimore Building) and the wish to stay downtown. The present accommodation is across Charles Center; this is the area where downtown Baltimore's revitalization started out two decades ago. The last few years the center of downtown activity has shifted Southward towards the Inner Harbor. Respondent 15 does not think highly anymore about this location.

"This building is a terrible building. We have been here for 13 years now. We came to this building originally because at that time in Baltimore this was the place to be. At one time this was the most attractive building in Baltimore, now it is one of the least attractive downtown. What is getting us to leave here is the fact that the building is geographically 'out of the loop'. The action has moved to the Inner Harbor, so this has become another 'netherland', it's neither fish nor fowl. Maybe more important, the building has been mismanaged to the

point where it is not even an attractive place to be. The reasons that got us here were valid then, but totally invalid today".

The image factor associated with fellow tenants, previously brought up by respondent 14 (another large accounting firm), is an additional reason for moving.

"As importantly, we were looking for a building where our fellow tenants would be complementary organizations, which is not true here. What attracted us to the Bank of Baltimore was the fact that the two primary tenants are Alex Brown, Inc. and the Bank of Baltimore. These are two institutions in Baltimore with very high visibility and very strong Baltimore ties. We wanted to be associated with that. By and large, the tenants in this building are 'fringe-tenants'. They tend to be part of organizations that are highly clerically oriented. Examples are back-offices of insurance companies. Also there are engineering firms that are not the first class caliber. There are some exceptions, these are going through the same phase as we are going through. What keeps people here is that the rents are very competitive. I could save a lot of money staying here, but it's not worth it. The new building will help us towards the outside, in terms of how people perceive us".

7.3 Causes of past and future relocations; non-downtown firms

Of the eight interviewed non-downtown business services firms, 5 recently moved and 4 will relocate in the near future.

Respondent 9 is a small law firm in Reisterstown that moved into its accommodation only one year ago. Before this the firm was located in the same area, a few blocks away. Unfortunately no informative quotes can be presented. Relocating again in the near future is not thought of.

"(....) it would take a change in the course of the business and the practice right now before I consider relocating. We might get more contacts somewhere else that might change the nature of the business. It's possible, but I doubt it".

In January 1988 a medium-sized computer services firm (respondent 11) relocated from its previous site in the South of Baltimore City to its present accommodation in suburban Columbia. The reason to move from the previous site was

"(....) that it had become too small and we couldn't accommodate the traffic we had with our vans. One of the most important things is the fact that it is very close to the highway. Many of our personnel comes here in the morning and then goes to the client".

The motivation to choose this particular building was that the firm could design its own floor plan.

"It was the location, the price, and the fact that when we signed the contract, this place was under construction. We were able to design the floor plan for us". The firm will probably not move again in the near future, but will acquire additional space at the site.

"We would like to stay her. As you can tell there are some vacancies close by in this building. What we plan to do in the near future is expand into the adjacent space".

Respondent 13, a small advertising company in Owings Mills, moved to the present

building 8 months ago. At the previous location, the lease had expired. The firm has been in the Owings Mills area since 1980. Before that, the firm was in many places. It was located in downtown for a while and at other sites at the Eastern side of Baltimore City. The interviewee finds that the Owings Mills area is *"(....) new and exciting developing area"*.

The appearance of the building was an important consideration for choosing the present accommodation.

"We wanted a building that had a very corporate look to it, like this, which is almost like a downtown building in an off-town environment. It was the corporate look".

Relocation is not thought of in the next 5 years. The only reason why the firm would possibly relocate is the expiration of the lease at that time.

Respondent 2, a medium-sized engineering firm, is located in its Hanover accommodation for only 3 years and already plans to move by the end of 1989. According to the interviewee, a big mistake was made to locate the firm in the South of the metropolitan area, in Hanover. The firm's potential market is in the very North.

"(....) they made a very poor choice selecting this location. The scope of the markets should be an important consideration, that was very poorly done in this case".

So, relocation is certainly an issue and the direction of the move will be Northward (Owings Mills, White Marsh or Hunt Valley). Some doubt remains about the timing and the fact that the interviewee does not want to loose any of its present clients.

"(....) it's more a matter of timing than principle. The decision to move is made for 90% now. The doubt deals with the employees. We are in an expansion mood and a lot of new employees come from the growth areas North of Baltimore. However, most of my present employees come from the area around here and I really don't want to loose any of them. It's something that's gotta be touched on and dealt with very gently, to tell you the truth. It's not a matter of just 'get up and go'. The other thing is that we are outgrowing this building. We haven't outgrown yet, but in two or three months time that will be the case. We might just have to make a relocation decision then".

Respondent 7, a large advertising company, is located in Towson since September 1988. The previous location was in Hunt Valley, further North. Although the company is at the present site for only 7 months, it considers relocating again this year. The reasons to move to the present site were the proximity to interstate 695 (the Beltway surrounding Baltimore City), the accessibility of sales people to the market and the availability of parking space adjacent to the building.

"They really looked for the accessibility to the central part of the market place for us, the suburbs. That was just a little bit difficult from the Hunt Valley location, even though it's not even 15 minutes away from here. Being virtually on the Beltway and being in the heart of the suburbs is perfect for us".

Still, relocation is an issue within the firm once again. Main motivation is the quality of the accommodation; a new one will be looked for in the same Towson area.

"(....) I am not at all happy with the quality of the facilities in here. Working conditions for our employees is very important to us and I'm not firmly convinced that the working conditions right now are very ideal for us. It's not the area,

it's just the people who run this place right now".

Expansion of the firm will be a relocation factor also for respondent 12, a medium-sized engineering firm in the Village of Cross Keys, close to the Northern Baltimore City limits. The company came to the present site 11 years ago. The firm will possibly relocate

"(....) within two years, based on our current growth rate and our discussions with the landlord. We feel that perhaps in two years the landlord will no longer be able to accommodate us".

A same kind of accommodation will be looked for in the North of the city, mainly because most employees come from the Northern parts of the metropolitan area.

"Most of our employees are in the Northern part of the city, the Northern parts of Baltimore County, Harford County. We obviously have to keep that in mind. We can not go to a place that changes everybody's plans".

The small Ellicott City law firm, respondent 8, is at the present site for 5 years and is considering relocation at the moment. The interviewee leases the present site, but prefers to own.

"The deciding factors will be whether I can own the building, I don't want to lease, I don't like to lease. It depends whether I can build a building within my financial means, without crippling the company and without losing my client base. If I move to a certain place on the far side of Columbia for example, I will lose my Ellicott City clientele. If I move between Ellicott City and Columbia I will keep them both".

7.4 Summary and conclusion

The majority of the interviewed business services either relocated recently or will relocate in the near future. This high geographic mobility probably applies to the whole business services group in the Baltimore metropolitan area and might reflect their strong growth in the past decade.

Relocations of downtown firms generally take place within the downtown area. The desire to be part of the downtown business community and the area's perceived high image are most important in this respect. Difficulty to expand is often mentioned by the downtown based firms as a motive to leave a building. Important for some firms to move to their present facilities were also the characteristics of fellow tenants in the previous building; their image did no longer match the respondents' aspired image. In short, potential for expansion and image are the most prominent reasons for the interviewed downtown firms to relocate.

The motivations of the interviewed non-downtown business services to relocate are more diversified. Motivations that were mentioned are possibilities for expansion, expiration of the lease in the previous accommodation, the appearance of the accommodation, the location of (potential) clients, the accessibility and proximity to major highways and the quality of the facility. However, each of these reasons was brought up by only one firm: no single common relocation motive stands out clearly.

SUMMARY AND CONCLUSION**8.1 Introduction**

This report covered the location behavior of 16 interviewed business services firms in the Baltimore metropolitan area, the factors influencing this behavior, and the firms' preferences for selected areas. In chapters 1 and 2 three hypotheses and an explanatory model were introduced; their plausibility will now be evaluated.

The hypotheses and the model postulated that location preferences of business services firms are influenced by the firms' aspirations with respect to accommodations and environments (hypothesis 1), as well as the functional relationships that are maintained with clients, employees and suppliers (hypothesis 2). Aspired characteristics of accommodation and environment and the functional relationships were dealt with in chapters 3 and 4, respectively. Location preferences, treated in chapter 6, in turn will determine the kind of location decisions that are made (chapter 7). However, it is reasonable to assume that these decisions are not made in a vacuum; external factors will influence the possibilities firms have to implement their location decisions. Obvious external determinants are the spatial and/or economic policies exercised by local and regional governments, and the conditions provided by the real estate market (chapter 5). Hypothesis 3 stated that government policies and conditions on the real estate market influence the implementation of location decisions.

In the next three paragraphs the results are summarized and concluding remarks are made with respect to the hypotheses. In paragraph 8.5 the explanatory model (presented in paragraph 2.6) will be evaluated.

8.2 Location preferences, location decisions and aspired characteristics of accommodation and environment: hypothesis 1

The interviewed downtown business services generally share an aspiration towards an accommodation with impressive appearance, located in a central and client- and employee-accessible environment. It is clear that the interviewed downtown firms predominantly prefer downtown; suburban areas, are not considered suitable. The interviewed downtown firms prefer to stay downtown; their (frequent) relocations take place within the downtown area. The importance of appearance is demonstrated by an obvious shift towards the prestigious Inner Harbor. Further, apart from difficulties to expand the business in the previous accommodation, its declining image is mentioned as a motive for relocation. The relevance of client- and employee accessibility is demonstrated by the often mentioned good location qualities of downtown as opposed to suburban locations. Areas outside downtown are often judged as merely being "in the wrong place". Clients and employees of downtown firms are generally spread all over the Baltimore metropolitan area and so are their employees. The need to be in a central location and be well accessible is obvious. Personal preferences of decision makers seem to make a difference; some downtown firms mentioned that their presence downtown was not really necessary from a pure rational point of

view. These firms could operate somewhere else if need be.

The interviewed non-downtown business services generally share an aspiration towards an accommodation with expansion possibilities in a car-oriented and client-accessible environment. Non-downtown firms clearly prefer suburban areas to locate in instead of downtown. Especially the recently upcoming areas in the North and North-West of the metropolitan area are popular. In addition, the fact that these areas are very well accessible and are connected by major highways gives them the lead above other areas. The accessibility for employees is considered less relevant than was the case for the downtown firms; their proximity is more important, however. This will be accounted for below (paragraph 8.3). The need for expansion possibilities is demonstrated by the fact that this was often mentioned as a motive for relocation. The non-downtown firms consider the image of a location meaningful, although this is not expressed as clear as the downtown firms do. The analysis justifies the impression that non-downtown firms are more rational with respect to the image of their accommodations and environments than downtown firms.

8.3 Location preferences, location decisions and functional relationships: hypothesis 2

Location preferences and location decisions of the interviewed downtown firms are neither connected to the locations of clients, nor to the location where contacts with clients take place. More important than their location, is the accessibility of the clients to the services firm (or reversed: the accessibility of the firm to the clients). The scope of the firm's market is relevant, however. The place of residence of the firm's employees appears to be irrelevant for location preferences and location decisions. In fact, few employees of downtown firms live anywhere near the center of Baltimore; by consequence, their accessibility to the firm becomes important. The location of and the accessibility for suppliers of services and goods have no impact at all on location preferences or location decisions of the interviewed downtown business services firms.

The location preferences and location decisions of non-downtown firms are connected to the locations of clients. The clients of the interviewed suburban business services are generally located in suburban areas, but not in Baltimore City. The location where the contacts with clients take place seems not to be significant, however, as long as they are easily accessible. The relevance of the scope of the markets of non-downtown firms was not clear.

The principal place of residence of the employees does influence the location preferences and location decisions of non-downtown firms. Very often the employees live in roughly the same suburban area as where the firm is located. This seems to explain why the accessibility of employees is not that important. Also for the non-downtown firms the location of suppliers is irrelevant.

8.4 Location preferences, location decisions, government policies and the real estate market: hypothesis 3

Baltimore's downtown has been heavily revitalized with active assistance of the city government. So-called "economic development corporations" (government agencies) entered into public-private partnerships with the private sector to stimulate development in the downtown area. The combined effort of the public and private sectors has also been influential in the development of business parks in other areas within the city limits. Although the interviewed downtown business services generally state that their location preferences or decisions are not influenced by government incentives, it must be clear that government policies have been very important for the emergence of an attractive business milieu in downtown Baltimore. Location possibilities are also dependent on the conditions of the real estate market. Downtown offers an abundant and growing amount of high quality office space and its real estate market is flourishing. The focus of office development has shifted towards the attractive Inner Harbor area; many business services firms seem to follow this transfer. The interviewed business services often find new locations with the help of real estate consultants.

Government policies with respect to the rest of the metropolitan area lack consistency. It is said that for a long time government policies in the counties promoted decentralization of employment from Baltimore City. Although in recent years competition has moderated, up to this day each jurisdiction in the Region exercises its own economic development policies and the fiscal disparities between the central city and the counties continue to exist. Also the interviewed non-downtown firms hardly ever mention the influence of government incentives for location preferences or decisions. If it is true that decentralization of economic activities has been assisted and promoted by suburban jurisdictions, the influence of government policies has of course been substantial, however less direct than was the case in downtown Baltimore. The real estate market has been influential; the growth of the amount of office space in the suburbs has been strong and continues to be so. Like the downtown firms, the non-downtown firms are generally dependent on developers to provide office space; the developer initiates the development of real estate in an area, not the eventual users or government agencies. It seems reasonable to assume, that location preferences and decisions of suburban business services are more influenced by real estate developers, than by suburban government policies.

8.5 The explanatory model: an evaluation

Chapter 2 provided a model that contained possible factors explaining location preferences and location decisions of business services firms. After analyzing the results in connection with the hypotheses, it is possible to evaluate the usefulness of the model. Several spatial, functional and external factors presented to the respondents proved to be relevant for their location preferences and location decisions. Differences between downtown and non-downtown based firms could be assessed. The model is applied to the interviewed downtown and non-downtown business services and contains the factors that proved to be relevant. Factors of which relevance could not be clearly assessed are placed between brackets.

Figure 8.1: Explanatory model downtown business services

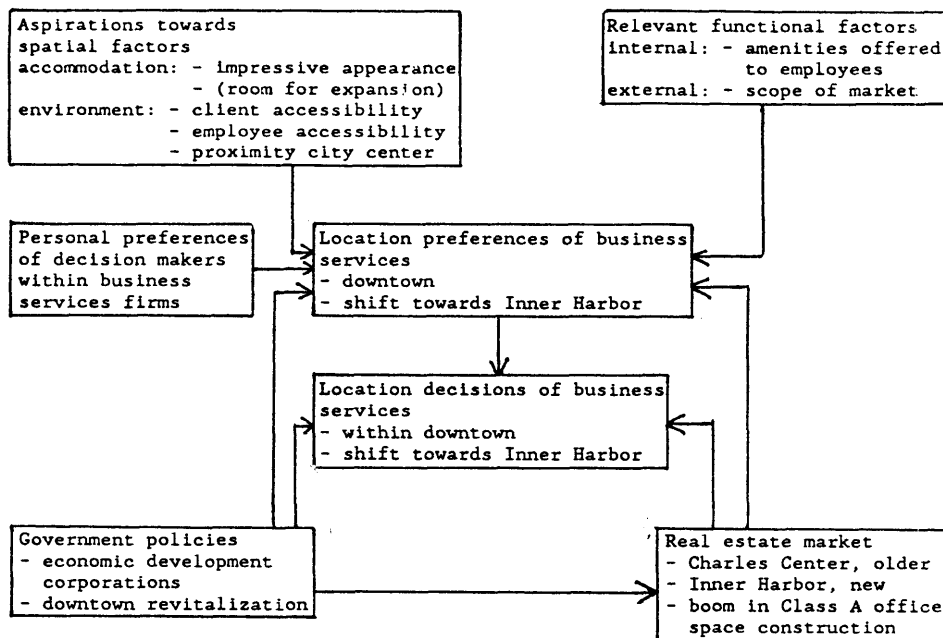
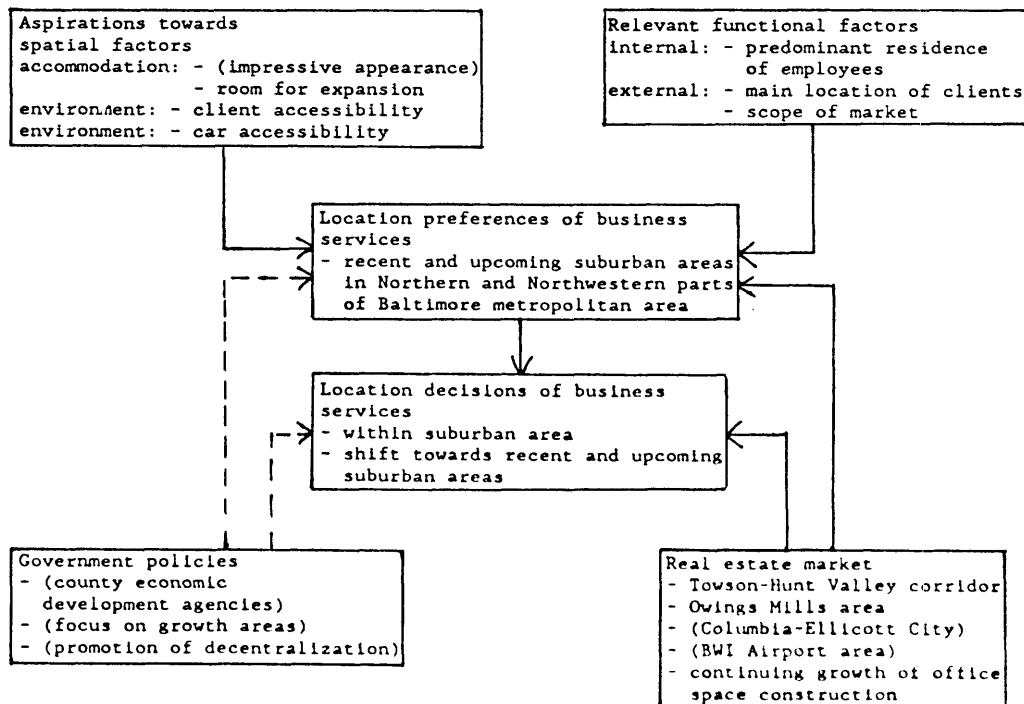


Figure 8.2: Explanatory model non-downtown business services



As will be clear, in the model for the downtown firms an extra element is suggested: the influence of purely personal preferences of decision makers within

business services firms on location preferences. The influence of personal opinions was less clear for the non-downtown firms. The expected relationships between government policies, conditions on the real estate market, location preferences and location decisions are modified. It appeared that, in the case of the downtown firms, government policies and conditions on the real estate market have an impact both on location decisions and preferences. In the case of the non-downtown firms, government influences were less clear. Conditions on the real estate market seemed to have a profound influence on location preferences and decisions, however.

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APPENDIX A:

1. Interviewed business services

Number(*)	Kind of firm	SIC	Location type	Town	Employees
1	Accounting services	893	Downtown		55
2	Engineering/architectural services	891	Suburban	Hanover	12
3	Engineering/architectural services	891	Downtown		10
4	Computer services	737	Suburban	Towson	500
5	Legal services	81	Downtown		180
6	Advertising	731	Downtown		72
7	Advertising	731	Suburban	Towson	105
8	Legal services	81	Suburban	Ellicott City	8
9	Legal services	81	Suburban	Reisterstown	1
10	Legal services	81	Downtown		294
11	Computer services	737	Suburban	Columbia	30
12	Engineering/architectural services	891	City other (**)	Village of Cross Keys	30
13	Advertising	731	Suburban	Owings Mills	17
14	Accounting services	893	Downtown		240
15	Accounting services	893	Downtown		120
16	Computer services	737	Downtown		25

(*) In chapters 3, 4, 5, 6 and 7 these numbers are used to refer to an interviewed firm.

(**) "City other" refers to a location within the Baltimore city-limits, but outside downtown. Since only one firm holding this characteristic could be interviewed, this firm is treated as a non-downtown, suburban firm.

(Appendix A continued)

2. Interviewed government representatives

Baltimore City:

- David Gillice; Director Baltimore Economic Development Corporation (Bedco)
- Larry J. Smith; Bedco
- Marshall Meyer; Bedco
- Bernard L. Berkowitz; Professor in Economy, University of Baltimore City
(former director Bedco)
- Evans Paull; City Planning Department, Economic Development Office
- Sharon Klotz; City Planning Department, Economic Development Office
- Alfred Barry; City Planning Department, Current Planning

Baltimore County:

- Tony Healy; Deputy director Economic Development Office

Baltimore Region:

- Joseph Nathenson; Regional Planning Council (RPC), Division director Economic Research and Information Systems
- John Snell; RPC, Principal planner
- Neil Shpritz; Greater Baltimore Committee, Division director Economic Research

3. Interviewed real estate representatives:

- David W. Kornblatt; The David Kornblatt Company, large downtown real estate developer
- James F. Knott; James Knott Development, large suburban developer

APPENDIX B: Interview structure "Business services in the Baltimore metropolitan area"

A. General

1	Interview number	.....
2	SIC code / type of business service	.....
3	Location type (downtown, city other, suburban)	.....
4	Amount of time firm exists	.....
5	Amount of time at present location	.....
6	Previous location	.....
7	Age of accommodation	.....
8	Accommodation high-rise or low-rise	.....
9	Accommodation for one or more firms	.....
10	Number of employees	.....
11	Establishment independent or not	.....

B. Opinions about the qualities of the firm's accommodation and environment

12 Which characteristics of accommodation and environment are important for an optimal performance of your firm? (Present this list to interviewee, LET HIM/HER FILL THIS IN). Please mark the appropriate answer.

The numbers indicate the following: (1) very important, (2) important, (3) neither important, nor unimportant, (4) unimportant, (5) very unimportant, (6) indecisive

	1	2	3	4	5	6
a - potential for expansion of the firm in accommodation	|...|	|...|	|...|	|...|	|...|	|...|
b - representational or impressive appearance of accommodation	|...|	|...|	|...|	|...|	|...|	|...|
c - own the accommodation	|...|	|...|	|...|	|...|	|...|	|...|
d - rent the accommodation	|...|	|...|	|...|	|...|	|...|	|...|
e - parking space adjacent to building	|...|	|...|	|...|	|...|	|...|	|...|
f - accessibility by private transport (car)	|...|	|...|	|...|	|...|	|...|	|...|
g - accessibility by public transport	|...|	|...|	|...|	|...|	|...|	|...|
h - accessibility for employees	|...|	|...|	|...|	|...|	|...|	|...|
i - accessibility for clients	|...|	|...|	|...|	|...|	|...|	|...|
j - accessibility for other firms (suppliers)	|...|	|...|	|...|	|...|	|...|	|...|
k - parking space in the neighborhood	|...|	|...|	|...|	|...|	|...|	|...|
l - employees living close by	|...|	|...|	|...|	|...|	|...|	|...|
m - clients located close by	|...|	|...|	|...|	|...|	|...|	|...|
n - other firms (suppliers) located close by	|...|	|...|	|...|	|...|	|...|	|...|
o - shops, restaurants, cafes, etc. close by	|...|	|...|	|...|	|...|	|...|	|...|
p - public transport close by	|...|	|...|	|...|	|...|	|...|	|...|
q - (interstate) highways close by	|...|	|...|	|...|	|...|	|...|	|...|
r - center of the city close by	|...|	|...|	|...|	|...|	|...|	|...|
s - level of property tax	|...|	|...|	|...|	|...|	|...|	|...|
t - other, .....	|...|	|...|	|...|	|...|	|...|	|...|

(Appendix B continued)

- 13 Which is the actual or current situation with respect to the qualities of your firm's accommodation and environment? (Present this list to interviewee, LET HIM/HER FILL THIS IN)

Please mark the appropriate answer for each item. The possibilities are:

- . there is a match between the optimal and actual situation
- . there is no match between the optimal and actual situation
- . indecisive

	MATCH	NO MATCH	INDECISIVE
a - potential for expansion of the firm in accommodation	|.....|	|.....|	|.....|
b - representational or impressive appearance of accommodation	|.....|	|.....|	|.....|
c - own the accommodation	|.....|	|.....|	|.....|
d - rent the accommodation	|.....|	|.....|	|.....|
e - parking space adjacent to building	|.....|	|.....|	|.....|
f - accessibility by private transport (car)	|.....|	|.....|	|.....|
g - accessibility by public transport	|.....|	|.....|	|.....|
h - accessibility for employees	|.....|	|.....|	|.....|
i - accessibility for clients	|.....|	|.....|	|.....|
j - accessibility for other firms (suppliers)
k - parking space in the neighborhood
l - employees living close by
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n - other firms (suppliers) located close by
o - shops, restaurants, cafes, etc. close by
p - public transport close by	|.....|	|.....|	|.....|
q - (interstate) highways close by	|.....|	|.....|	|.....|
r - center of the city close by	|.....|	|.....|	|.....|
s - level of property tax	|.....|	|.....|	|.....|
t - other, .....	|.....|	|.....|	|.....|

(Appendix B continued)

14 Which qualities would play a role in location decisions of your firm?
Why? (TAPE)

15 Which of the following areas in the Baltimore Region, or elsewhere, would be suitable for your firm and which areas would not be suitable? (Present this list to interviewee, LET HIM/HER FILL THIS IN)
Please mark "yes" for an area that would suit your firm, "no" for an area that would not suit your firm.

a - Downtown Baltimore	Yes	No
b - Seton Business Park (Baltimore City North-West)	Yes	No
c - Caton 95 Business Park (Baltimore City South-West)	Yes	No
d - Benson Business Center (Baltimore City South-West)	Yes	No
e - Columbia (Howard County)	Yes	No
f - Owings Mills (Baltimore County)	Yes	No
g - Hunt Valley (Baltimore County)	Yes	No
h - White Marsh (Baltimore County)	Yes	No
i - Glen Burnie (Anne Arundel County)	Yes	No
j - Baltimore Washington International Airport area (Anne Arundel County)	Yes	No
k - Washington and its Region	Yes	No
l - elsewhere,		

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16 Could you identify some outstanding positive qualities of the areas that would suit your firm? (TAPE)

17 Could you identify some outstanding negative qualities of the areas that would not suit your firm? (TAPE)

(Appendix B continued)

C. The functional qualities of the firm

- 18 Which activities are predominantly performed at your firm, management or routine-activities? (TAPE)
- 19 a. Has the place of residence of your firm's employees been a factor in the choice of this location? In what sense? (TAPE)
b. Does the majority of your employees live close by to the firm or further away? Is there a difference in this respect between managerial and other employees? (TAPE)
- 20 Which are the main clients of the firm? Private companies, government or other organizations, individuals? (TAPE)
- 21 a. Has the location of your clients been a factor in the choice of this location? In what sense? (TAPE)
b. Are your clients located close by the firm or further away? (TAPE)
- 22 In what way are contacts with your clients predominantly maintained? Direct personal contact, telecommunication, mail? (TAPE)
- 23 a. Has the place of contact with your clients been important in the choice of this location? (TAPE)
b. Where do you usually contact your clients? At this place, or elsewhere? (TAPE)
- 24 a. Has the scope of your firm's markets been important for choosing this location? In what sense? (TAPE)
b. Are your markets predominantly local, regional, national, or international? (TAPE)
- 25 a. Has the location of your suppliers (goods and services) been a factor in the choice of this location? In what sense? (TAPE)
b. Where are your suppliers predominantly located? (TAPE)
- 26 What information caused your firm to be located here? Business-associates, advertisements, own investigation, etc.? (TAPE)
- 27 Have there been any government programs that caused your firm to locate in this area? City Planning Department, Bedco, UDAG's, enterprise zones, etc.? (TAPE)

(Appendix B continued)

D. Tendency to relocate the firm

- 28 In case relocation of the firm becomes an issue, who will decide about this; the firm itself or the main office? (TAPE)
- 29 Is relocation of this firm or establishment currently thought of? (TAPE)
- 30 What is the cause of this wish to relocate the firm? See the listings under 12 and 13? (TAPE)
- 31 What kind of location is preferred in case relocation of the firm is a current issue? Downtown, elsewhere in the city, outside the city, elsewhere in the United States? See listing under 15 (TAPE)
- 32 Are there, or have there been, any areas in the Baltimore Region that draw your attention because of governmental incentives for economic development? Baltimore City's various business parks, Port Covington, Bayview Area, enterprise zones? (TAPE)
- 33 What kind of information is or would be available to you in the search for a new location? (TAPE)
- 34 In case relocation of the firm is not the issue, why is this so? See listings under 12 and 13. (TAPE)
- 35 Apart from relocation, are there any other possibilities to optimize the firm's performance at the current location? (TAPE)